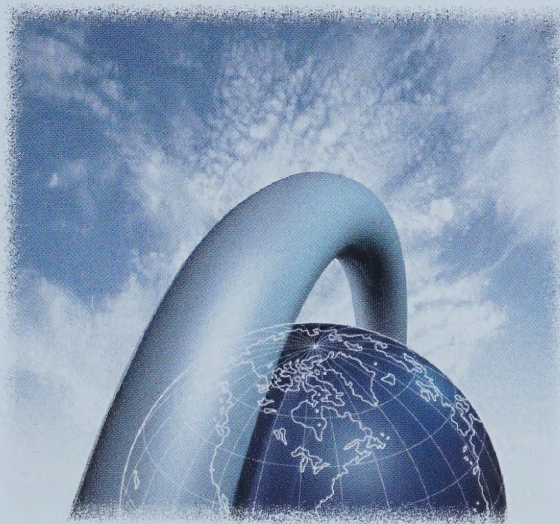




Growth
through liquids
pipelining,
gas distribution
and
international
opportunities



Digitized by the Internet Archive
in 2025 with funding from
University of Alberta Library

https://archive.org/details/IPLE0892_1995

Retain

this
card
for
reference

Mail

this response
card
for information
on the

Dividend
Reinvestment
and
Share
Purchase Plan

Mail

this response
card
if you are

a
Beneficial
Shareholder

1996 IPL Energy Inc.

Dividend Record Date

to receive a dividend shares must be recorded in the register of shareholders on

Dividend Payment Date

dividends are payable to shareholders, and Dividend Reinvestment and Share Purchase funds are invested by the Corporation, on

Share Purchase Cut-off Date

share purchase payments must be received by The R-M Trust Company by
cheques should be dated

1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Feb. 16	May 15	Aug. 20	Nov. 15
Mar. 1	June 1	Sept. 1	Dec. 1
Feb. 23	May 27	Aug. 26	Nov. 25
Mar. 1	June 1	Sept. 1	Dec. 1

Annual Meeting – Park Plaza Hotel, Toronto, May 2, 1996

The declaration of dividends and the dates shown are subject to change at the discretion of the Board of Directors. The Corporation reserves the right to amend, suspend or terminate the Dividend Reinvestment and Share Purchase Plan. Shareholders will be notified in writing of any changes.

Please send me more information on

The IPL Energy Inc. Dividend Reinvestment and Share Purchase Plan

that enables me to reinvest my cash dividends in additional common shares at a 5% discount to the market price, and to make optional cash payments to purchase additional shares at the market price. I understand that in either case the transactions are free of brokerage or other charges.

name

address

city

PROVINCE

POSTAL CODE

TELEPHONE

If you are a non-registered shareholder

whose shares are held in the name of a broker or other financial intermediary, and you wish to receive interim financial statements on a regular basis, please sign and mail this card. Your name will be placed on a supplemental mailing list to receive these materials. If you are a registered shareholder, that is, your shares are registered in your name, there is no need to complete this card as these materials will be mailed to you automatically.

SIGNATURE

name

address

city

PROVINCE

POSTAL CODE

TELEPHONE

IPL Energy Inc.

Dividend Cheques are normally mailed three to five days prior to the **payment or investment** dates.

Quarterly statements for Dividend Reinvestment and Share Purchase participants are normally mailed two weeks after the **payment or investment** dates.

Shareholder enquiries regarding the Dividend Reinvestment and Share Purchase Plan, change of address, share transfer, lost certificates, dividends and duplicate mailings should be directed, as appropriate, to the following:

Registrar and Transfer Agent in Canada

The R-M Trust Company

393 University Avenue
Fifth Floor
Toronto, Ontario, Canada
M5G 2M7
Telephone (416) 813-4600
Toll Free (800) 387-0825

Co-Registrar and Co-Transfer Agent in the United States

Chemical Mellon
Shareholder Services
13th Floor
120 Broadway
New York, NY, 10271
USA
Telephone (212) 613-7427
Toll Free (800) 387-0825

Shareholder inquiries regarding the Corporation's financial and operating performance, and its growth prospects, should be directed to:

Manager, Investor Relations
IPL Energy Inc.
2900, 421-7 Avenue S.W.
Calgary, Alberta, Canada
T2P 4K9
Telephone (403) 231-3906
Toll Free (800) 481-2804



0271703499-T2P4P4-BR01

THE CORPORATE SECRETARY
IPL ENERGY INC
C/O THE R-M TRUST COMPANY
PO BOX 2517 STN M
CALGARY AB T2P 9Z9



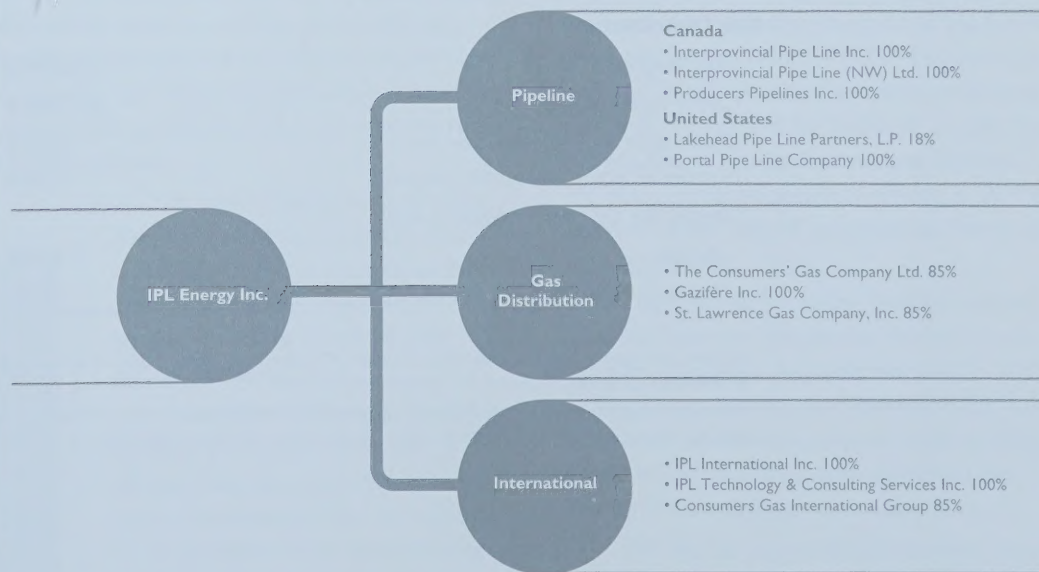
0271696899-T2P4K9-BR01

THE CORPORATE SECRETARY
IPL ENERGY INC
2900-421 7 AVE SW
CALGARY AB T2P 9Z9

Corporate Profile

IPL Energy Inc. is engaged in the transportation of liquid hydrocarbons and the distribution of natural gas. In Canada, the pipeline business is conducted through the wholly owned subsidiary, Interprovincial Pipe Line Inc. of Edmonton, Alberta. Wholly owned Lakehead Pipe Line Company, Inc. of Duluth, Minnesota, holds an 18% interest in the portion of the pipeline system located in the United States through its ownership in Lakehead Pipe Line Partners, L.P. Together these entities operate the world's longest crude oil and liquids pipeline system, extending across North America from western Canada to marketing and refining centres in the midwestern United States and eastern Canada. The natural gas distribution business is conducted through an 85% owned subsidiary, The Consumers' Gas Company Ltd. of Toronto, Ontario, which serves over 1.2 million residential, commercial and industrial customers in south central and eastern Ontario and upper New York State. Wholly owned IPL International Inc. takes the lead role in developing international business opportunities, with support provided by the other corporate entities.

With assets in excess of \$5 billion and over 4,800 employees, IPL Energy maintains its registered office in Calgary, Alberta. Its common shares are listed on the Toronto and Montreal stock exchanges in Canada under the symbol "IPL", and on the NASDAQ in the United States under "IPPIF".



CONTENTS

Corporate Profile	1
Highlights	2
To the Shareholders	3
Operations Review	6
Management's Discussion and Analysis	13
Consolidated Financial Statements	20
Five Year Consolidated Highlights	42
Corporate Information	44

Highlights

FINANCIAL

(dollars in millions, except per share amounts)

	1995	1994	1993
Earnings	\$ 130.4	\$ 43.6	\$ 80.8
Cash provided from operating activities	\$ 476.1	\$ 199.7	\$ 133.9
Dividends	\$ 116.3	\$ 80.2	\$ 79.8
Per share amounts			
Earnings	\$ 2.30	\$ 1.09	\$ 2.03
Cash provided from operating activities	\$ 8.38	\$ 4.98	\$ 3.36
Dividends	\$ 2.00	\$ 2.00	\$ 2.00
Return on average shareholders' equity	16.9%	9.6%	17.5%
Debt to debt plus equity at year end	66.6%	83.4%	57.1%

OPERATING

(dollars in millions)

Pipeline

Operating revenue	\$ 467.6	\$ 397.4	\$ 395.2
Capital expenditures	\$ 83.3	\$ 279.1	\$ 82.9
Deliveries (thousands of barrels per day)	1,731	1,532	1,497
Barrel miles (billions)	382	350	346
Average haul (miles)	605	625	634

Gas Distribution¹

Operating revenue	\$1,855.2	\$ 194.1	—
Capital expenditures	\$ 345.4	\$ 97.5	—
Distribution volume (billion cubic feet)	390.5	44.4	—
Number of active customers (thousands)	1,264	1,219	—
Degree day deficiency ² (degrees Celsius)			
Actual	3,748	104	—
Forecast based on normal weather	3,955	118	—

¹ Highlights of the gas distribution business reflect the results of The Consumers' Gas Company Ltd. and other gas distribution assets on a quarter lag basis of consolidation subsequent to the date of acquisition (June 30, 1994).

² Degree day deficiency is a measure of coldness. It is calculated by accumulating for each day in the fiscal period the total number of degrees by which the daily mean temperature fell below 18 degrees Celsius. The figures given are those accumulated in the Toronto area.

To the Shareholders

IPL Energy's earnings increased to \$130.4 million, or \$2.30 per common share, in 1995, compared with \$43.6 million, or \$1.09 per common share in 1994. The improvement, as expected, was due mainly to the inclusion of a full year's results of The Consumers' Gas Company Ltd. in which an 85% interest was acquired in mid 1994. Other contributing factors included higher earnings from the crude oil and liquids pipeline segment, as well as a contribution from the Colombia crude oil pipeline project, the company's first international venture.

IPL Energy's objective is to provide long term value to its shareholders through dividend growth and share price appreciation that is superior to comparable companies. The strategy being pursued to achieve this objective involves ownership of a group of core businesses, each of which is well positioned competitively to earn attractive returns with limited risk by delivering an essential service at low cost with high customer reliability. From this stable and profitable base, the company provides growth by actively developing investment opportunities that either build on existing, well positioned assets, or that utilize the company's world class technology and operating expertise in pipelining and natural gas distribution as an entry to new, related ventures.

Further development of attractive investment opportunities was achieved in 1995 in all three of the company's business segments – pipelining, natural gas distribution and international.

The North American pipelining business presents a variety of pipeline, storage and terminal investment opportunities that the company, as operator of the world's longest liquids pipeline system, is well positioned to respond to on a selective basis. Having just completed the 170,000 barrels per day expansion of the Interprovincial/Lakehead mainline system in 1994, the strong growth in

western Canadian crude oil production is creating a need for additional pipeline capacity to serve markets in the United States. Earlier this year, the company received approval from the National Energy Board for a 120,000 barrels per day expansion to be completed by the end of 1996. The \$170 million cost is split equally between Canada and the United States. In addition, an application has been submitted for a further \$540 million expansion that would increase capacity in Canada by 120,000 and in the United States by 170,000 barrels per day. Approximately \$140 million would be spent in Canada.

Numerous other investment opportunities in pipelining are emerging on the continent as a result of changing crude oil and refined products supply and demand patterns, refinery rationalizations, and changes in the ownership of existing assets. The acquisition of two crude oil pipeline and gathering systems during 1995 – Producers Pipelines Inc. in Canada, and Portal Pipe Line Company in the United States – are indicative of investments in this category. These acquisitions are particularly attractive because of the synergies available as a result of their interconnections with the company's mainline system. A recently concluded agreement to reactivate an idle crude line in Ontario between Sarnia and Toronto, and place in refined products service, is another example of the type of opportunities being pursued aggressively.

The Canadian mainline pipeline system benefited from the pioneering incentive tolling agreement entered into with shippers in 1995. Earnings from the mainline exceeded the level that would have been achieved under traditional cost based regulation and permitted the sharing of cost savings with shippers.

The natural gas distribution business, largely centred in the Province of Ontario, also provides opportunities for additional capital investment at attractive returns. Natural gas continues to display strong price and quality advantages over competing energy sources in the residential and commercial heating markets, as well as in many



B.F. MacNeill
President and
Chief Executive Officer

industrial applications. Consequently, natural gas is the preferred choice of service in 95% of new residential construction and continues to displace other energy sources through conversions. The company is able to supplement the opportunities arising from customer additions and economic growth with additional services such as rental products, cooling and natural gas vehicles. Capital investment in 1995 totaled \$345 million, an approximate 7% increase in property, plant and equipment.

The restructuring of the natural gas distribution business continues to evolve rapidly. The most successful companies of the future are likely to be those with the capability to supply a menu of different services for natural gas, water and electrical distribution, rather than a single line of business. Consumers Gas and IPL Energy are ideally suited to pursue newly emerging opportunities in this changing business environment in Ontario and elsewhere. However, the requirement of the Government of Ontario to maintain a 15% public float in the common shares of Consumers Gas places IPL Energy and Consumers Gas at a disadvantage with other domestic and foreign competitors which are not subject to a public float undertaking and therefore possess more flexibility to pursue business opportunities. The January 29, 1996 application to the Ontario government requesting removal of the public float requirement, if approved, will permit Consumers Gas and IPL Energy to select the most efficient investment vehicle for participation in new opportunities based solely on commercial considerations. The result will be an accelerated decision-making process and a more commercially effective response to new opportunities.

IPL Energy is supplementing the growth anticipated from its North American initiatives with international opportunities that meet the company's investment criteria. The company expects to secure participation in a select number of attractive projects based on its technical and operating expertise in both pipelining and natural gas distribution with the primary focus on countries in South America and the

Asian/Pacific region. For example, IPL Energy's appointment as a joint operator of the U.S.\$2 billion Cusiana crude oil pipeline in Colombia resulted in large measure from the company's expertise in transporting multiple crude oil types in segregated batches, an important requirement of the project. Based on the current plan, the company will invest in excess of \$125 million in the Colombia project on which it will receive a return in excess of that received by regulated businesses in North America. Furthermore, the return is independent of throughput level or operating costs. In addition, the company will earn operating fees and will have the opportunity to increase these fees if certain operating performance targets are exceeded. During 1995, the company's investment in this project increased to approximately \$40 million and contributed \$5 million to earnings. The contribution will increase significantly as the investment rises.

Another important element of IPL Energy's growth strategy is to ensure that the financial resources necessary to implement its strategic plans are available. During the year, the company raised in excess of \$700 million from the issuance of long term bonds and debentures to support the investments being undertaken, and to reduce the balance on the \$500 million revolving bank facility to approximately \$200 million, a level that leaves substantial financial capacity available for new investments. The level of investment activity also necessitated an increase in the company's equity capital over and above that received from the conversion of the \$500 million of Convertible Debentures issued in 1994 to finance the acquisition of Consumers Gas. Additional equity needs were met through a combination of dividend reinvestment by shareholders, which provided \$25 million, and a \$125 million public offering of common shares in May 1995. With the increase in earnings achieved in 1995, and further increases anticipated from growth investments, the company will be able to supply a greater amount of future equity requirements from retained earnings.

The progress on strategic actions achieved during 1995 is reflected in the total return from dividends and share price appreciation provided to shareholders. For the year ended December 31, 1995, the total return to an IPL Energy shareholder for an investment made at the end of 1994 was 19.4%. This compares to a return of 7.5% from a composite investment in the companies whose business activities and risk levels are most similar to those of IPL Energy. IPL Energy's \$2.00 per share annual dividend was maintained in 1995, marking the 44th consecutive year the company has paid dividends.

The momentum of 1995 achievements contributes to a positive outlook for 1996 and beyond. Continued strength in pipelining and natural gas distribution, and a higher contribution from the Colombia pipeline project, are expected to generate further growth in earnings for 1996.

In 1994, The Toronto Stock Exchange Committee on Corporate Governance published guidelines to help corporations assess their corporate governance systems and accountability to shareholders. Reporting on the system of corporate governance utilizing the guidelines subsequently became a listing requirement on the Toronto and Montreal exchanges where the company's shares are traded. IPL Energy is fully aligned with the guidelines and a complete description of the company's compliance with the guidelines is contained in the Notice of Annual Meeting and Management Information Circular accompanying this report.

The Corporation welcomes Richard L. George, President and Chief Executive Officer of Suncor Inc., and E. Susan Evans, Company Director, both of Calgary, who were appointed to the Board of Directors, effective March 1, 1996. Appreciation is extended to H. Gordon MacNeill and David E. Powell who will not be standing for re-election at the May 2, 1996 annual meeting. Mr. MacNeill, who became a Director in 1984, has served as Chairman since

1992. Mr. Powell became a Director in 1993 and has served as a member of the Safety and Environment Committee.

Appreciation is also extended to IPL Energy's 4,800 employees. Their dedication to the implementation of the company's strategic plan and growth strategy has been essential to the progress achieved, and to continued success as the company moves ahead.

On behalf of the Board of Directors:

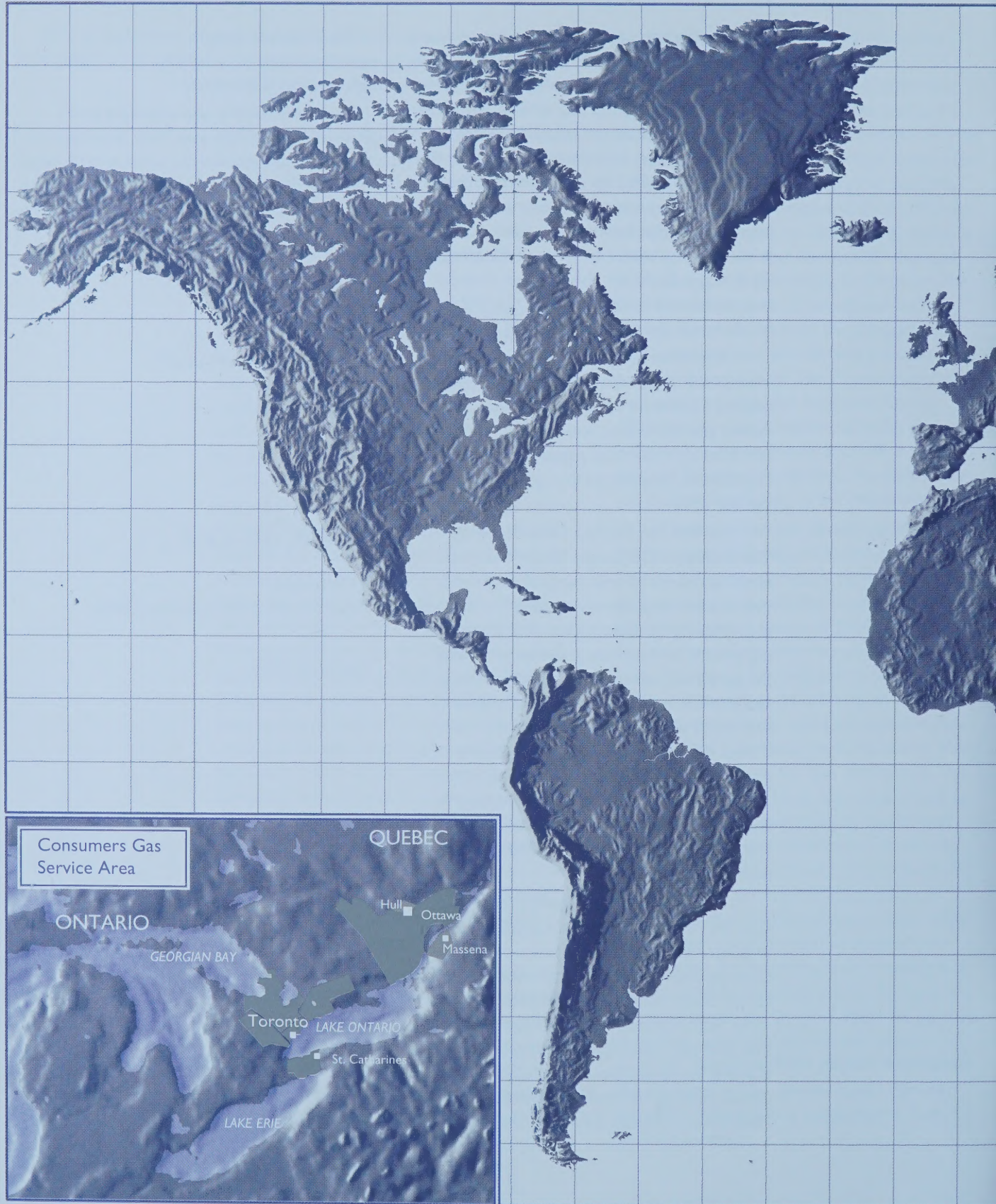


H.G. MacNeill
Chairman



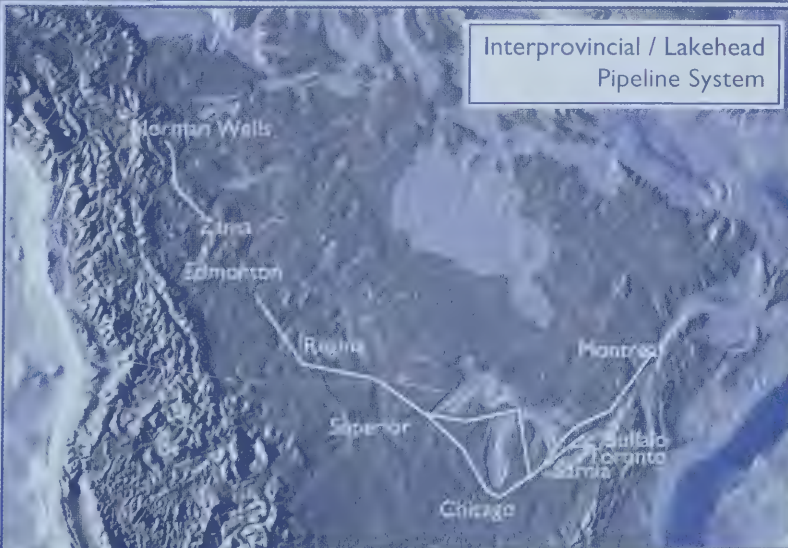
B.F. MacNeill
President and Chief Executive Officer

March 14, 1996





Operations Review



Interprovincial / Lakehead
Pipeline System

Hormon Wells

Edmonton

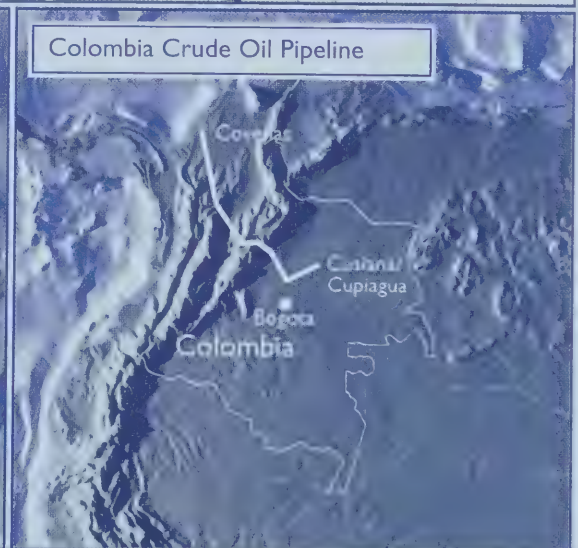
Superior

Chicago

Montreal

Sault Ste. Marie

Toronto



Colombia Crude Oil Pipeline

Covenas

Catalina
Cupiagua

Bogota

Colombia

Crude Oil and Liquids Pipeline



PIPELINE

Financial and Operating Highlights (dollars in millions)

	1995	1994	1993
Operating revenue	\$ 467.6	\$ 397.4	\$ 395.2
Earnings	\$ 80.3	\$ 74.1	\$ 66.0
Assets	\$1,567.5	\$1,568.7	\$1,171.5
Deliveries (thousands of barrels per day)	1,731	1,532	1,497

The main portion of IPL Energy Inc.'s petroleum pipeline business in Canada is conducted through Interprovincial Pipe Line Inc. of Edmonton, Alberta, a wholly owned subsidiary, and in the United States by another wholly owned subsidiary, Lakehead Pipe Line Company, Inc. of Duluth, Minnesota, which, in turn, holds an 18% interest in Lakehead Pipe Line Partners, L.P. Together these entities operate the world's longest crude oil and liquids pipeline system, extending across North America from western Canadian oilfields to marketing and refining centres in the midwestern United States and eastern Canada.

For the fourth consecutive year, the level of pipeline deliveries in 1995 reached record levels, exceeding 1.7 million barrels per day. The 13% increase over 1994 reflected additional capacity from a 1994 expansion program, as well as the inclusion of deliveries from two feeder pipelines acquired in 1995.

For the first time, the IPL System in 1995 operated under an incentive tolling agreement that was entered into with pipeline shippers. Under the new structure, the ability to achieve higher earnings is based on maximizing system utilization and increasing operating efficiency. The IPL System was able to realize, and share with industry, the benefits of incentive tolling primarily through initiatives to reduce costs, including power costs, the most significant operating expense. The cost saving initiatives resulted in total benefits of approximately \$11 million which were shared on a 60/40 basis with industry. On an after tax basis, IPL System earnings were positively affected by \$3.7 million, with industry benefiting by \$2.5 million.

A disappointment during the year was the June 15, 1995 Federal Energy Regulatory Commission decision disallowing the Lakehead Partnership to collect income tax on behalf of individual unitholders. The adverse decision reduced IPL Energy's consolidated earnings by \$7 million, of which one-half related to previous years. A rehearing has been requested and a judicial review in the U.S. Court of Appeals will be sought if necessary.

The North American liquids transportation business presents a variety of pipeline, storage and terminal investment opportunities that the company intends to respond to on a selective basis. Opportunities are emerging on the continent as a result of changing crude oil and refined products supply and demand patterns, refinery rationalizations, and changes in the ownership of existing assets. Crude oil pipelines on the continent have been historically configured to move production from existing oilfields to existing refineries. However, with the continuing decline in U.S. production, pipeline systems are being realigned to accept greater volumes of imports, including supplies from western Canada where production is increasing.

In 1994, the mainline system was expanded by 170,000 barrels per day. Earlier this year, the company received approval from the National Energy Board for a 120,000 barrel per day expansion to be completed by the end of 1996. The expansion principally involves the construction of additional tankage and the installation of pumping capacity. The \$170 million cost is split equally between Canada and the United States. In addition, an application has been submitted for a further \$540 million expansion that would increase capacity in Canada by 120,000

barrels per day, and in the United States by 170,000 barrels per day to important Chicago area markets. Approximately \$140 million would be spent in Canada. Included in the program is the construction of new pipeline between Edmonton and Hardisty, Alberta, and from Superior, Wisconsin to Chicago. The company's proposal offers lower tolls, shorter transit times and minimal environmental impact compared with alternatives. In addition, no shipper throughput commitments are required on the IPL System.

Other examples of attractive North American opportunities include the 1995 acquisitions of two gathering pipelines, Producers Pipelines in Canada and Portal Pipe Line in the U.S. These acquisitions provide synergies as a result of their interconnections with the company's mainline system. In addition, an agreement was concluded to reactivate an idle crude line in Ontario between Sarnia and Toronto, and place it in refined products service.

The Canadian Association of Petroleum Producers, which represents the upstream sector of the Canadian oil industry, and five of Canada's largest refining companies finalized an agreement outlining the potential timing and other terms for the reversal of the company's Sarnia to Montreal crude oil pipeline.

Under the terms of the agreement, the producers will formally support the company's planned application to the National Energy Board to reverse direction of the pipeline, which currently transports small volumes of crude eastward from Sarnia to Montreal. Reversal will permit the line to carry imported oil to refining centres in Ontario.

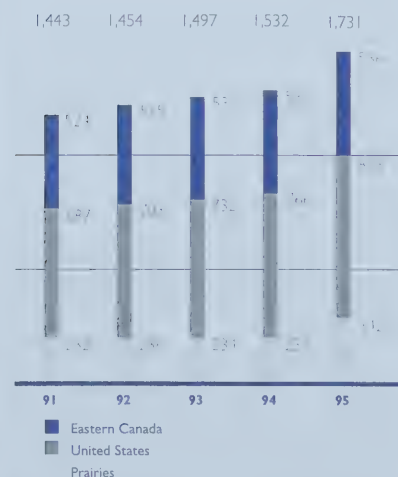
Pipeline Deliveries by Type

(thousands of barrels per day)



Pipeline Deliveries by Destination

(thousands of barrels per day)



Natural Gas Distribution



IPL Energy's natural gas distribution business is conducted principally through The Consumers' Gas Company Ltd., Toronto, an 85% owned subsidiary. Consumers Gas serves over 1.2 million residential, commercial and industrial customers in central and eastern Ontario, as well as upper New York State through St. Lawrence Gas Company, Inc. In addition, IPL Energy owns certain related assets which are managed by Consumers Gas. These include Gazifère Inc., a natural gas utility serving customers in southwestern Quebec, and Niagara Gas Transmission Limited, a natural gas transmission company serving western Quebec and New York State.

Consumers Gas enjoyed another successful year in 1995, following the exceptional performance the previous year when Ontario experienced one of its coldest winters in half a century. The decrease in gas sendout due to weather, which was 5% warmer than normal, was partially offset by the continued growth in new customers. More than 44,000 new customers were added, despite a downturn in Ontario's residential new construction market. The growing popularity of natural gas is based largely on its superior value relative to other energy sources. Additional services such as rental appliances, cooling and natural gas vehicles supplement the opportunities arising from customer additions and economic growth.

The environment in which Consumers Gas and IPL Energy conduct their business in Ontario has changed dramatically in recent years and continues to evolve rapidly. Changes in the regulatory environment

GAS DISTRIBUTION

Financial and Operating Highlights¹ (dollars in millions)

	1995	1994	1993
Gas sales	\$1,694.4	\$ 1,851.3	\$ 1,660.3
Earnings	\$ 100.3	\$ 123.2	\$ 118.4
Assets	\$3,039.0	\$ 2,868.7	\$ 2,599.9
Active customers (thousands)	1,264	1,219	1,176
Distribution volume (billion cubic feet)	390.5	417.5	387.1
Degree day deficiency (degrees Celsius)	3,748	4,275	4,042

¹ Highlights reflect full year operations of the gas distribution business acquired June 30, 1994, and exclude the impact of the 15% minority interest and purchase price discrepancy.

and customer expectations are giving rise to a wide array of opportunities to create value for shareholders and customers. Business opportunities are emerging to assist municipalities in Ontario to finance, expand, and operate their water and sewage infrastructures. The future of Ontario's electric energy sector is also being reviewed. The natural gas utilities are attempting to ensure they have the ability to participate in investments within Ontario in the electrical supply process if that becomes an opportunity. The gas utilities are also attempting to ensure that any restructuring or deregulation of the electrical industry will result in a level playing field for natural gas.

The most successful companies of the future are likely to be those with the capability to supply a menu of different services for natural gas, water and electrical transmission, rather than a single line of business. Consumers Gas and IPL Energy are ideally suited to pursue newly emerging opportunities in this changing business environment in Ontario and elsewhere.

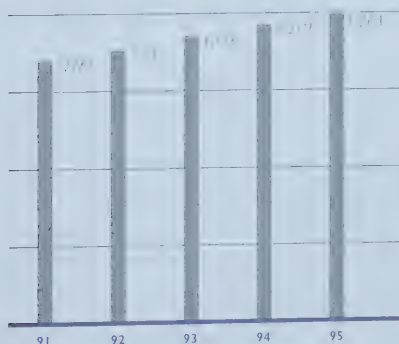
To ensure the capability to respond to the challenges of this changing environment in an efficient manner requires an increasingly flexible approach. In late 1995, IPL Energy and Consumers Gas requested that the Government of Ontario remove those undertakings that precluded the ability to bid on a water project within the franchise area. These undertakings related to the need to seek prior approval for affiliated transactions, intercorporate indebtedness, guarantees and investments, and the prohibition of

diversification. The government responded positively by exempting all of the province's gas utilities from the requirements for prior approval for these undertakings as they related to the water project. Subsequently the government requested the Ontario Energy Board conduct a hearing to provide advice before considering permanent changes to the undertakings. The OEB is expected to make its recommendations to the government by May 15, 1996.

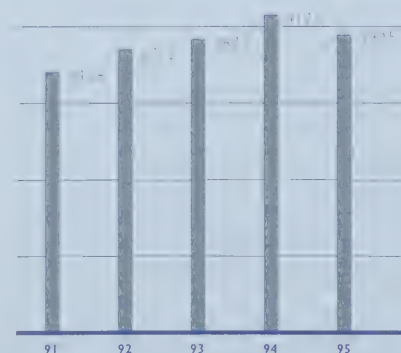
On January 29, 1996, Consumers Gas and IPL Energy sought further revision to the undertakings by requesting approval to remove the public float requirement, to be considered concurrently with other revisions to the undertakings. The requirement of the Government of Ontario to maintain a 15% public float in the common shares of Consumers Gas places IPL Energy and Consumers Gas at a disadvantage with other domestic and foreign competitors which are not subject to a public float undertaking and therefore possess more flexibility to pursue business opportunities. Removal of this undertaking will permit Consumers Gas and IPL Energy to select the most efficient investment vehicle for participation in new opportunities based solely on commercial considerations. The result will be an accelerated decision-making process and a more commercially effective response to new opportunities.

If the Government of Ontario eliminates the requirement to maintain the public float, IPL Energy intends to propose a transaction under which the public shareholders of Consumers Gas would have the opportunity to exchange their Consumers Gas common shares for IPL Energy common shares plus a cash payment, or to receive full payment in cash. Shareholders who elect the cash payment option will receive \$21.00 per common share, a premium of \$1.50 above the January 26, 1996 closing price on The Toronto Stock Exchange. Shareholders who elect to become shareholders of IPL Energy would receive common shares of the Corporation having a value equivalent to \$19.50 plus cash of \$1.50. A formal proposal to Consumers Gas public shareholders will not be made by IPL Energy unless and until the necessary consent is received from the Government of Ontario. The Board of Directors of Consumers Gas has not yet considered the specific terms of the intended transaction. A special committee of the independent directors of Consumers Gas will be established to consider the proposal and will retain independent legal and financial advisors to assist in the review.

Gas Distribution
Number of Active Customers – Year End
(thousands)



Gas Distribution
Volume of Gas Distributed
(billion cubic feet)



International

IPL

International Inc.



INTERNATIONAL

Financial Highlights (dollars in millions)

	1995
Earnings	\$ 4.8
Assets	\$ 43.5

IPL Energy Inc.'s international activities are developed and coordinated by IPL International Inc. which was established in 1994. Activities are supported by other units within the IPL Energy group of companies, including IPL

Technology & Consulting Services Inc. (IPLT), and Consumers Gas International Group, which are engaged in pipeline and natural gas distribution consulting services, respectively.

IPL International's objective is to secure participation in attractive foreign projects that utilize technical and operating expertise in both liquids transportation and natural gas distribution. A prime example of an international project meeting the company's investment criteria is the Cusiana crude oil pipeline project in Colombia, the company's first international venture. IPL Energy holds a 17.5% long term investment and acts as the joint operator of the U.S.\$2 billion project.

The Colombia project involves the purchase of existing pipeline assets and construction of 420 miles of 30" and 36" pipeline, additional pumping units, tankage and expansion of marine loading facilities to transport 500,000 barrels per day of crude oil from the Cusiana and Cupiagua oilfields in the central interior of Colombia to the Port of Coveñas on the Caribbean coast. Construction commenced in late 1995, with full operation scheduled to begin in mid-1997.

By the end of 1995, the company's investment in the Colombia project amounted to about \$40 million and contributed \$5 million to earnings. Another U.S.\$80 million is expected be invested in 1996 and 1997 for a total in excess of \$125 million. Additional opportunities are being pursued cautiously and prudently with the primary focus in Latin America and the Asia/Pacific regions.

IPLT offers a broad spectrum of proprietary pipeline operation technologies including customized pipeline operator training, Supervisory Control and Data Acquisition (SCADA) computer systems, and technical support services. In 1995, IPLT secured operations training contracts in Malaysia and Brazil. The Colombia pipeline project is utilizing IPLT's SCADA services.

Consumers Gas International provides a wide range of consulting services to the domestic and international gas industry. Over the last thirty years, the company has completed over 500 consulting projects in 29 countries on six continents. Clients include transmission companies, gas distributors, governments and engineering firms.

Management's Discussion and Analysis

OVERVIEW

IPL Energy's earnings for the year ended December 31, 1995 rebounded to \$130.4 million, or \$2.30 per share, from \$43.6 million, or \$1.09 per share, recorded in 1994. The 1994 earnings reflected the impact of the timing of the acquisition of The Consumers' Gas Company Ltd. Under the quarter lag basis of consolidation, the 1994 results of this segment reflected only the September quarter of Consumers Gas which, due to the seasonality of the gas distribution business, is traditionally a loss quarter. In 1993, when operations comprised only the pipeline business and corporate investing activities, earnings amounted to \$80.8 million, or \$2.03 per share.

Over the three-year period, cash from operating activities has increased annually, reflecting contributions from Consumers Gas. In 1995, these cash flows amounted to \$476.1 million compared with \$199.7 million in 1994, and \$133.9 million in 1993.

The following provides a detailed discussion and analysis of the Corporation's results of operations and financial condition for the three-year period under review. In order to facilitate understanding, and to comply with applicable securities commission regulations, results of operations are addressed under **Segmented Earnings**, which segregates bottom-line results by primary business activity, as well as under **Consolidated Earnings**, which provides a line-by-line analysis of significant revenue and expense items. The remainder of the discussion addresses the Corporation's **Liquidity and Capital Resources** as well as its **Future Prospects**.

SEGMENTED EARNINGS

Segmented Earnings

(dollars in millions)

	1995	1994	1993
Pipeline			
IPL System	55.5	47.5	42.4
IPL (NW) System	13.6	14.0	14.2
Lakehead System	7.2	12.6	9.4
Other	4.0	—	—
	80.3	74.1	66.0
Gas distribution	75.5	(17.7)	—
International	4.8	—	—
Corporate	(30.2)	(12.8)	14.8
	130.4	43.6	80.8

Pipeline

The pipeline segment comprises the Canadian portion of the main crude oil pipeline (IPL System), the 18% owned portion located in the United States (Lakehead System), and a wholly owned pipeline originating in the Northwest Territories (IPL (NW) System). In 1995, the segment also reflects the post-acquisition earnings of two feeder pipelines located in North America.

The 1995 earnings of the **IPL System** benefited from the incentive tolling agreement entered into with shippers. Under the agreement, the ability to achieve higher earnings is based on maximizing system utilization and increasing operating efficiency, representing a departure from traditional cost based regulation whereby earnings are based on the level of capital investment. Cost savings, mainly in the area of power costs, generated approximately \$11 million of benefits which, under the agreement, were shared on a 60/40 basis with industry. On an after tax basis, IPL System earnings were positively affected by \$3.7 million, with industry benefiting by \$2.5 million.

The IPL System also benefited from the \$220 million Canadian portion of a 1994 expansion program. The program contributed approximately \$5 million to 1994 earnings through the recognition of an allowance for equity funds used during construction (AEDC), and continued its positive contribution in 1995 through the achievement of record level deliveries which exceeded 1.6 million barrels per day.

The **IPL (NW) System** is regulated on a full cost of service basis and earns a 16% return on an approximate \$85 million equity investment. Operating results are not subject to significant year-to-year fluctuations.

The U.S. portion of the 1994 capacity expansion also contributed positively to the **Lakehead System's** 1995 results through increased utilization. This was complemented by enhanced cost saving initiatives. However, these positive factors were more than offset by a June 1995 U.S. Federal Energy Regulatory Commission (FERC) decision regarding Lakehead's tariffs filed for the previous three years. Although a number of issues were decided consistent with Lakehead's position, the decision disallowed a portion of the income tax allowance included in cost of service. The cumulative impact of this ruling reduced 1995 consolidated earnings by approximately \$7 million. Of this amount, one-half related to tariffs in effect prior to 1995. In 1994, earnings improved over the previous year's level primarily due to higher utilization, partially offset

by a reduction of 2% in the Corporation's equity ownership in this system.

Earnings from **other** pipelines reflect the results of pipeline systems acquired during the year. In 1995, the Corporation purchased Producers Pipelines Inc. of Saskatchewan (March 10) and Portal Pipe Line Company of North Dakota (November 14). These subsidiaries operate feeder pipelines that connect with the main pipeline.

Gas Distribution

IPL Energy's gas distribution segment includes operations of Consumers Gas and certain minor related assets acquired June 30, 1994.

For its 1995 fiscal year, Consumers Gas' allowed rate of return was 11.65% on a 35% deemed common equity component and a rate base of \$2,430 million. Anticipated earnings were negatively affected by warmer than normal weather in the franchise area which, when measured in degree days, was 5% warmer than normal and 12% warmer than in 1994. The impact of weather was offset by positive operational factors including the continuing growth in customer base.

International

The international business segment reflects the commencement of earnings in 1995 from IPL Energy's investment in a pipeline project serving the Cusiana and Cupiagua oilfields of Colombia. IPL Energy is providing long term funding for the project and is earning a pre-established fixed rate of return on its investment. Under separate agreements, the Corporation will act as a joint operator and will earn operating fees commencing in 1996.

Corporate

The corporate segment reflects costs associated with non regulated debt and business development activities, net of contributions from corporate investments. In 1995, this segment reflects the full year effect of financing costs associated with the acquisition of Consumers Gas, and additional borrowings related to 1995 pipeline acquisitions. These items were partially offset by the impact of equity issuances during the year. These issuances included the conversion of the \$500 million Convertible Debentures, a \$125 million equity issue in May, and continuing contributions under the Dividend Reinvestment and Share Purchase Plan.

In 1994, in addition to the Consumers Gas acquisition financing costs for six months, this segment reflected a \$7.6 million after tax gain on dilu-

tion of the Corporation's interest in the Lakehead System. The 1993 contribution from this segment represented income earned on the pre-acquisition cash balance and an equal amount of foreign exchange gains.

CONSOLIDATED EARNINGS

The comparability of the line items of the consolidated statement of earnings has been affected by the recent growth initiatives.

Operating Income

(dollars in millions)	1995	1994	1993
Operating revenue			
Pipeline	467.6	397.4	395.2
Gas distribution	1,855.2	194.1	—
Gas costs	(1,123.0)	(105.3)	—
Operating and administrative expenses			
Pipeline	(196.5)	(200.9)	(189.1)
Gas distribution	(317.4)	(66.2)	—
Corporate	(1.9)	(0.3)	—
Depreciation			
Pipeline	(89.0)	(70.8)	(68.8)
Gas distribution	(131.4)	(30.2)	—
Corporate	(1.1)	(1.0)	(0.9)
	462.5	116.8	136.4

Operating revenue generated by the pipeline division in 1995 increased significantly over the previous two years. The increase was due primarily to record delivery levels, higher effective tolls, and the inclusion of \$32 million of revenue from new subsidiaries subsequent to the acquisition dates. Operating revenue in 1994 increased marginally over 1993. The benefit of higher system deliveries was almost fully offset by a reduction in tolls extended to pipeline customers.

Subsequent to the acquisition of Consumers Gas, operating income includes **gas sales** and **gas costs** associated with distribution activities. In 1995, these accounts reflect amounts generated from the distribution of 390.5 billion cubic feet of gas. On a full year basis, volume distributed represented a 6% decrease from 1994 as the effect of warmer weather in Ontario was partially offset by the growth in customer base.

In 1995, the pipeline division's **operating and administrative expenses** include approximately \$12 million related to pipeline subsidiaries acquired during the year and \$75 million of power costs. The balance represents other operating costs. Despite a 5% increase in IPL System utilization, the 1995 power cost balance reflects a 6% decrease from the prior year's level. Operational efficiencies resulting from the 1994 capacity expansion, coupled with renegotiated power contracts, contributed to the improvement. Other operating costs were cumulatively lower than last year by approximately \$12 million, as further cost saving initiatives in several areas, such as outside services and oil loss costs, more than offset the impact of inflation.

The increase in pipeline operating and administrative expenses in 1994 from 1993 reflected several factors, including escalating property taxes on an expanding asset base and an augmented repairs and maintenance program.

For gas distribution activities, operating and administrative expenses in 1995 represent a 4% increase over the full year 1994 amount. The increase was primarily due to higher costs associated with an expanding customer base and the effects of inflation.

Over the three-year period, **depreciation expense** has reflected the growth in property, plant and equipment. In 1995, depreciation for the pipeline division increased due primarily to the full year effect of additions related to the 1994 capacity expansion program. As the program was not completed until late in the year, these additions did not significantly impact the 1994 depreciation charge. For gas distribution operations, depreciation expense was also influenced by increases in rate base attributable to expanding customer levels.

Earnings

(dollars in millions)	1995	1994	1993
Operating income	462.5	116.8	136.4
Investment and other income			
Pipeline	20.4	33.7	25.1
Gas distribution	2.4	3.0	—
International	4.8	—	—
Corporate	11.5	35.4	23.5
Interest expense			
Pipeline	(73.3)	(55.8)	(48.3)
Gas distribution	(143.7)	(33.3)	—
Corporate	(58.7)	(60.8)	(16.6)
Income taxes	(74.4)	3.6	(39.3)
Minority interest	(21.1)	1.0	—
	130.4	43.6	80.8

The primary components of **investment and other income** of the pipeline segment are pretax equity earnings from the Lakehead System and AEDC. Over the three-year period, equity earnings from Lakehead have benefited from annual increases in system utilization. In 1995, the benefit of higher utilization resulting from the 1994 expansion was more than offset by the June 1995 FERC decision. In 1994, AEDC was significantly higher than historical levels as a result of the expansion program (1995 — \$1.0 million; 1994 — \$6.4 million; 1993 — \$1.6 million).

Corporate investment income includes amounts earned on cash and short term investments, the recovery of interest from Home Oil on the Series J Debentures (1995 — \$2.3 million; 1994 and 1993 — \$13.8 million), and various other items. This income was significantly lower in 1995 due to the retirement of Series J on February 28, the absence of a \$12.4 million gain on dilution of the interest in the Lakehead System realized in 1994, and lower income from short term investments attributable to the significant decrease in cash balances subsequent to the acquisition of Consumers Gas. The 1993 investment income level was affected by the use of corporate funds for internal financing purposes, partially offset by a \$7.5 million foreign exchange gain.

Over the three-year period, the pipeline division's **interest expense** has grown in conjunction with capacity increases. Interest for gas distribution operations reflects finance charges under its regulated cost of service, including interest on short term borrowings required primarily to finance seasonal gas purchases.

Corporate interest expense primarily reflects amounts related to debt incurred for recent acquisitions and interest on the Series J Debentures. With Series J excluded, this interest amounted to \$56.4 million in 1995, \$47.0 million in 1994, and \$2.8 million in 1993. The 1994 amount included primarily interest incurred on financing related to the acquisition of Consumers Gas for half the year. In 1995, Consumers Gas acquisition financing was favourably impacted by the conversion of the Convertible Debentures and the repayment of borrowings under the Bridge Facility arranged for the acquisition. Reductions attributable to these developments were offset by financing related to the 1995 acquisitions, and by a planned reduction in sensitivity to variable interest rates through the conversion of corporate debt to fixed rate long term instruments.

The Corporation's **income tax expense** in 1995 reflects amounts related to the full year contribution from Consumers Gas. In 1994, an income tax recovery was recorded due to the inclusion of a loss quarter from gas distribution activities and higher income tax deductions which arose due to the pipeline expansion program.

Minority interest represents the allocation of gas distribution earnings to Consumers Gas' 15% minority shareholders and dividends on the outstanding preferred shares of Consumers Gas.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's funds generated from operations, supplemented by unutilized credit facilities of \$1 billion, provide adequate resources to finance growth, debt repayments, and dividend distributions. *(For a further description of the Corporation's committed and uncommitted credit facilities, reference should be made to Note 10 to the Consolidated Financial Statements.)*

Operating Activities

Cash provided from operating activities has escalated annually due primarily to the addition of Consumers Gas. In 1995, operations reflected a full year's contribution from gas distribution activities versus only one fiscal quarter subsequent to the acquisition in 1994. In 1993, cash flows from operations were generated almost exclusively by pipeline operations.

Investing Activities

In 1995, investing activities reflected the acquisitions of Producers (\$50.1 million) and Portal (\$35.2 mil-

lion), and a contribution of U.S.\$13.4 million towards the Colombia pipeline project. Significant investments in 1994 included the \$1.2 billion acquisition of Consumers Gas as well as the original U.S.\$15 million investment in Colombia.

Capital expenditures over the three-year period have reflected the ongoing system maintenance program of the pipeline division. In 1994, these expenditures were supplemented by the capacity expansion expenditures in Canada. Subsequent to the acquisition of Consumers Gas, these expenditures also include additions related to gas distribution operations of nearly \$100 million during the quarter consolidated in the year of acquisition. In 1995, gas distribution additions of approximately \$345 million were reflective of this segment's growth in customer base and facility improvements and replacements.

Financing Activities

Since 1993, the Corporation's level of financing activities has increased in conjunction with growth developments, and is evidenced by the significant increases in both the debt and equity components of its capital structure.

The Corporation's regulated pipeline and gas distribution operations issue long term debt primarily to finance capital additions. Non regulated corporate debt has been incurred primarily to finance business acquisitions. The following table categorizes, by business segment, the cash flows from fixed rate and variable rate financing for the past three years:

Debt Financing¹

(dollars in millions)	1995	1994	1993
Pipeline			
Fixed rate			
Issued	185.7	—	197.7
Retired	(21.0)	(17.7)	(67.7)
Variable rate, net	(108.9)	78.6	(158.8)
Gas distribution			
Fixed rate ²			
Issued	116.8	76.0	—
Retired	(66.1)	(11.8)	—
Corporate			
Fixed rate	312.5	—	—
Variable rate notes and term loans	117.0	—	—
Other variable rate, net	(812.1)	965.7	—
	(276.1)	1,090.8	(28.8)

1 Excludes the Convertible Debentures issued to finance the acquisition of Consumers Gas, and the Series J Debentures (assumed by Home Oil) which were repaid on February 28, 1995.

2 Includes commercial paper borrowings effectively converted into long term debt through the use of long term interest rate swaps.

During 1995, the pipeline segment issued \$185 million of fixed rate medium term notes. Proceeds from these issuances were used to retire commercial paper borrowings incurred in 1994 in conjunction with the capacity expansion program, as well as amounts issued in 1992 and 1993 to retire higher cost long term debt. In 1993, the Corporation issued \$200 million of debentures, the proceeds of which were used to repay commercial paper. Retirements over the three-year period represent normal sinking fund requirements and, in 1993, the repayment of a \$50 million maturity.

Since acquisition, gas distribution operations have issued approximately \$190 million of long term debt to finance the growth in rate base. Retirements reflect sinking fund repayments and \$55 million of maturing issues in 1995.

In 1994, the Corporation raised almost \$1 billion in variable rate financing, including roughly \$850 million related to the acquisition of Consumers Gas. Additional acquisition financing was obtained from the issuance of Convertible Debentures. In 1995, IPL Energy repaid the \$620 million of borrowings under a non revolving Bridge Facility arranged specifically for the 1994 acquisition. Proceeds were obtained, in part, from fixed rate debentures (\$50 million) and medium term notes (\$75 million) issued in the first quarter of 1995, and from equity issued during the year, including the conversion of the remaining Convertible Debentures. In conjunction with an April issuance of debenture purchase warrants which were exercised in November, the Corporation issued an additional U.S. \$130.0 million of debentures. Proceeds from this latter issuance partially replaced variable rate financing related to the 1995 acquisitions.

In 1995, the Corporation's number of outstanding common shares grew significantly from the approximate 40 million at the end of 1994 and 1993 to in excess of 60 million at December 31, 1995. The significant change is primarily attributable to the conversion of Convertible Debentures, the \$125 million public issuance completed in May, and increasing contributions from the Dividend Reinvestment and Share Purchase Plan introduced in 1994. Dividends paid over the past three years have reflected a \$0.50 per share quarterly dividend on the increasing number of common shares.

Financial Instruments

The Corporation uses a variety of off-balance sheet financial instruments to hedge specific exposures which could influence its financial results. All such instruments are arranged only with high credit quality institutions, and are not used for speculative purposes. (A further description of the hedging instruments used by the Corporation is provided in Note 14 to the Consolidated Financial Statements.)

The Canadian Institute of Chartered Accountants has introduced accounting standards regarding financial instruments, to be effective in 1996. Full adoption of this pronouncement will result in the reclassification of the majority of the preference shares of Consumers Gas, now classified as minority interest, to long term liabilities. Dividends on these shares will be deducted from earnings before income taxes, rather than as a component of minority interest.

Financial Ratios

In 1995, the recovery of the earnings level resulted in a significant improvement in the return on shareholders' equity and a restoration of the dividend payout ratio to its lowest level since 1991. As expected, the acquisition of Consumers Gas had a significant one-time effect on the Corporation's financial ratios in 1994.

Financial Ratios	1995	1994	1993
Return on average shareholders' equity	16.9%	9.6%	17.5%
Earnings coverage of interest	1.8x	1.3x	3.3x
Dividend payout ratio	87.0%	183.5%	98.5%
Debt/debt plus shareholders' equity ¹	66.6%	83.4%	57.1%

¹ For purposes of this ratio, shareholders' equity includes minority interest.

The interest coverage and debt/debt plus shareholders' equity ratios are not anticipated to return to pre-acquisition levels, reflecting the consolidation of Consumers Gas' regulated capital structure of debt to equity of 65/35, and the addition of growth related financing. These ratios reflect acceptable levels in the financial market for an entity with IPL Energy's consolidated business structure.

Credit reviews by the major bond rating agencies undertaken in 1995 resulted in improved or unchanged credit ratings and outlook for the debentures of IPL Energy, as well as for debentures issued by subsidiaries Consumers Gas and Interprovincial

Pipe Line Inc. The Dominion Bond Rating Service rating/outlook for these debentures is "A (low)/Stable" for IPL Energy, "A(high)/Stable" for Consumers Gas, and "A(high)/Stable" for Interprovincial. Comparable ratings from the Canadian Bond Rating Service are "A(Low)/Positive", "A/Stable", and "A(High)/Stable", respectively.

FUTURE PROSPECTS

IPL Energy anticipates that the benefits of its strategy aimed at improving long term earnings growth will further materialize in 1996 and beyond. This positive outlook is supported by additional expansion of its main pipeline system, continued strong growth in rate base and customer levels for Consumers Gas, increasing contributions from international activities, and the realization of benefits from its 1995 financing strategy.

Pipeline

IPL System earnings are expected to increase marginally in 1996 due primarily to the AEDC contribution from a planned expansion. Further management initiatives to reduce operating costs could also contribute to 1996 results, net of amounts to be shared with shippers.

The IPL System's planned capital expenditure program of approximately \$150 million for 1996 includes expenditures related to a 120,000 barrel per day expansion of the main pipeline system approved by the National Energy Board on January 19. Total cost of this expansion is estimated at \$170 million, to be split equally on the Canadian and U.S. portions of the main pipeline system. This expansion will be complemented by the construction of a link between the Producers and Portal systems in order to increase overall capacity of the main crude oil line. With completion expected late in the year, the expanded facilities are not anticipated to increase throughput capabilities until 1997.

The Corporation has filed an application with the NEB for additional expansion beyond the 1996 program, which would increase capacity on the Canadian system by a further 120,000 barrels per day. This proposal was undertaken in response to shipper demands to expand their shipments to existing and new markets in the midwestern United States. The \$540 million application reflects anticipated capital expenditures in Canada of approximately \$140 million. A competing proposal for construction

of a new pipeline to originate in Alberta and serve similar markets in the United States has also been filed, and a public hearing held, with the NEB.

Under the incentive tolling agreement, IPL System earnings will remain sensitive to maximizing system utilization and achieving operating cost efficiencies. However, based on the provisions in the agreement, results of this system are not sensitive to a shortfall in volumes below annual capacity or to fluctuations in income tax expense.

Earnings from the IPL(NW) System are not sensitive to operating variances. Under the full cost of service methodology, this system is expected to earn a 16% return on an approximate \$84 million equity investment in 1996.

Future contributions from the Lakehead System, which will also benefit from the proposed pipeline expansions, will remain sensitive to the full resolution of its regulatory proceedings. Although adequate provisions for all tariff adjustments since 1992 have been recorded based on the June 1995 FERC decision, further regulatory developments could arise. Lakehead disagrees with certain portions of the FERC decision and has petitioned for rehearing. Judicial review could be sought of any final FERC decision. If the decision is upheld, Lakehead believes that it has sufficient liquidity to make refunds to customers, maintain current cash distribution levels and finance the U.S. portion of the 1996 capacity expansion. Lakehead's customers have also petitioned for a rehearing, challenging parts of the decision that were consistent with Lakehead's position. The final outcome of these latter proceedings, which cannot be predicted at this time, could have a material effect on the results of the Lakehead System.

Excluding any possible adjustments from further regulatory developments, the Lakehead System's contribution to consolidated earnings is expected to recover in 1996 as it would exclude the approximate \$3.5 million reduction recorded in 1995 which related to prior years' toll adjustments.

Earnings from other pipelines are also expected to increase in 1996. Due to acquisition late in the year, the Portal system did not significantly contribute to 1995 results. In 1996, this system is expected to contribute approximately \$2 million to earnings, along with a full year of contributions from the Producers system.

Gas Distribution

Earnings from the gas distribution segment are expected to increase in 1996 due to a 7% growth in rate base. Anticipated 1996 capital expenditures for the gas distribution segment of approximately \$350 million will be directed toward the continuing growth in customer base, the increasing demand of existing customers, and improvement and replacement of the existing distribution system and rental equipment. For Consumers Gas' 1996 fiscal year, the Ontario Energy Board has approved a rate of return of 11.875% on a 35% deemed common equity component and a rate base of \$2,602 million.

Earnings from the gas distribution segment are primarily sensitive to the ability to realize the revenue level required to generate the allowed rate of return on common equity. This factor is dependent upon accuracy in forecasting operating costs and, most importantly, achieving the forecasted natural gas distribution volume.

Since customers are billed on a volume basis, the Corporation's ability to recover its total revenue requirement (i.e., the cost of providing service) depends on achieving the forecast distribution volume established in the ratemaking process. Weather during the year has a significant impact on sales to the higher margin residential and commercial markets, which account for approximately two-thirds of total distribution volume, as the majority of gas distributed to these markets is ultimately used for space heating. Sales to large volume commercial, industrial and transportation service customers are more susceptible to prevailing economic conditions, including the pricing of competitive energy sources for customers with the ability to switch to alternate fuels. Customer additions are important to all market sectors as expansion adds to the overall consumption of natural gas.

The contribution from gas distribution operations could be influenced by the Corporation's plan to acquire the common shares of Consumers Gas held by the 15% minority shareholders. On January 26, 1996, the Boards of Directors of IPL Energy and Consumers Gas independently authorized each of the companies to jointly apply to the Ontario government to eliminate the current requirement for maintenance of a 15% public float of the common

shares of Consumers Gas. If the approval is received, IPL Energy intends to propose a transaction under which the minority shareholders of Consumers Gas would be given the opportunity to exchange their common shares for cash or a combination of cash and IPL Energy shares representing total consideration of \$21.00 per share (approximately \$214 million in total). Any contributions to the 1996 consolidated earnings will depend on the timing of the transaction and the composition of cash and share consideration.

International

The contribution from the Colombia pipeline project, which is based on a fixed rate of return on the Corporation's investment, is sensitive to the level of funds invested. With construction of pipeline enhancements and storage facilities continuing, the Corporation's average investment is expected to double in 1996. The Corporation's full earnings potential from this project, including minor contributions from operating fees, is not expected to be reached until 1997.

Corporate

Results of the corporate financing segment, which include costs associated with general and acquisition-related debt and business development activities, are sensitive to the level of debt balances and to interest rate fluctuations on the variable rate component of the Corporation's debt portfolio. In 1996, these costs are anticipated to be lower due to the full year impact of lower debt balances related to the acquisition of Consumers Gas, and to further repayments with the proceeds from equity issued under the dividend reinvestment plan. Costs associated with the investigation of domestic and international opportunities are expected to remain at current levels for the upcoming year.

Consolidated Financial Statements

MANAGEMENT'S REPORT

To the Shareholders of IPL Energy Inc.

Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts that reflect management's judgement and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

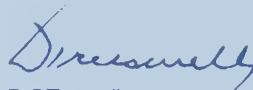
Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system includes an internal audit function and an established code of business conduct.

The Board of Directors and its committees are responsible for all aspects related to governance of the Corporation. The Audit Committee of the Board, composed of directors who are not officers or employees of the Corporation, has a specific responsibility for ensuring that management fulfils its responsibilities for financial reporting and internal controls related thereto. The Committee meets with management, internal auditors and independent auditors to review the consolidated financial statements and the internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Price Waterhouse, appointed by the shareholders as the Corporation's independent auditors, conducts an examination of the consolidated financial statements in accordance with generally accepted auditing standards.



B. F. MacNeill
PRESIDENT & CHIEF EXECUTIVE OFFICER



D. P. Truswell
SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

AUDITORS' REPORT

To the Shareholders of IPL Energy Inc.

We have audited the consolidated statements of financial position of IPL Energy Inc. as at December 31, 1995 and 1994 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1995 in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta, Canada
January 26, 1996


Chartered Accountants

Consolidated Statement of Earnings

Year ended December 31,	1995	1994	1993
(dollars in millions, except per share amounts)			
Operating Revenue			
Gas sales	1,694.4	172.2	—
Transportation revenue	477.9	398.1	395.2
Other	150.5	21.2	—
	2,322.8	591.5	395.2
Expenses			
Gas costs	1,123.0	105.3	—
Operating and administrative	515.8	267.4	189.1
Depreciation	221.5	102.0	69.7
	1,860.3	474.7	258.8
Operating Income	462.5	116.8	136.4
Investment and Other Income (Note 5)	39.1	72.1	48.6
Interest Expense (Note 6)	(275.7)	(149.9)	(64.9)
Earnings Before Undernoted	225.9	39.0	120.1
Income Taxes (Note 7)	(74.4)	3.6	(39.3)
	151.5	42.6	80.8
Minority Interest	(21.1)	1.0	—
Earnings	130.4	43.6	80.8
Earnings Per Share (Note 12)	2.30	1.09	2.03

Consolidated Statement of Retained Earnings

Year ended December 31,	1995	1994	1993
(dollars in millions, except per share amounts)			
Retained Earnings at Beginning of Year	198.0	234.6	233.6
Earnings	130.4	43.6	80.8
Dividends	(116.3)	(80.2)	(79.8)
Retained Earnings at End of Year	212.1	198.0	234.6
Dividends Per Share	2.00	2.00	2.00

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Year ended December 31,	1995	1994	1993
(dollars in millions)			
Cash Provided from Operating Activities			
Earnings	130.4	43.6	80.8
Charges (credits) not affecting cash:			
Depreciation	221.5	102.0	69.7
Deferred income taxes	(14.9)	(7.9)	26.5
Minority interest	21.1	(1.0)	—
Other	13.1	(10.7)	(8.4)
Changes in working capital:			
Accounts receivable and other	(9.6)	(199.7)	(31.7)
Gas in storage	58.6	(351.6)	—
Short term borrowings	50.7	350.7	—
Accounts payable and other	(2.8)	264.9	1.2
Interest payable	7.3	46.3	(4.2)
Working capital from acquisitions	0.7	(36.9)	—
	476.1	199.7	133.9
Investing Activities			
Short term investments, net	36.4	13.2	54.0
Acquisition of Consumers Gas (Note 2)	—	(1,203.8)	—
Acquisitions and long term investments (Note 3)	(104.3)	(33.7)	(21.0)
Additions to property, plant and equipment	(428.7)	(376.6)	(82.9)
Other	(13.6)	(2.8)	(7.5)
	(510.2)	(1,603.7)	(57.4)
Financing Activities			
Receivable from Home Oil	125.0	—	—
Series J Debentures	(125.0)	—	—
Convertible Debentures	307.6	171.8	—
Variable rate financing, net	(804.0)	1,044.3	(158.8)
Fixed rate financing, net	527.9	46.5	130.0
Minority interest	(14.1)	(2.3)	—
Capital stock	152.4	11.0	2.7
Dividends	(116.3)	(80.2)	(79.8)
	53.5	1,191.1	(105.9)
Increase (Decrease) in Cash	19.4	(212.9)	(29.4)
Cash at Beginning of Year	12.4	225.3	254.7
Cash at End of Year	31.8	12.4	225.3

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statement of Financial Position

December 31,

1995

1994

(dollars in millions)

ASSETS

Current Assets

Cash	31.8	12.4
Short term investments	—	36.4
Accounts receivable and other	278.9	269.3
Gas in storage	293.0	351.6
Instalment receipts receivable (Note 10)	—	307.6

603.7 977.3

Receivable from Home Oil (Note 10)	—	125.0
------------------------------------	---	-------

Long Term Investments (Note 8)	95.7	86.6
--------------------------------	------	------

Deferred Charges and Other	99.9	105.3
----------------------------	------	-------

Property, Plant and Equipment, Net (Note 9)	4,377.7	4,051.9
---	---------	---------

5,177.0 5,346.1
LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Short term borrowings (Note 10)	401.4	350.7
---------------------------------	-------	-------

Accounts payable and other	308.4	311.2
----------------------------	-------	-------

Interest payable	61.6	54.3
------------------	------	------

Current portion of long term liabilities	117.4	82.0
--	-------	------

888.8 798.2

Series J Debentures (assumed by Home Oil)(Note 10)	—	125.0
--	---	-------

Convertible Debentures (Note 10)	—	492.1
----------------------------------	---	-------

Long Term Debt (Note 10)	2,553.9	2,841.3
--------------------------	---------	---------

Deferred Credits	26.7	12.4
------------------	------	------

Deferred Income Taxes	373.1	398.8
-----------------------	-------	-------

Minority Interest (Note 11)	238.9	231.9
-----------------------------	-------	-------

Contingencies (Note 17)		
-------------------------	--	--

4,081.4 4,899.7

Shareholders' Equity

Capital stock (Note 12)		
-------------------------	--	--

Issued — 60,873,000 common shares (1994 — 40,583,000)	879.6	243.8
---	-------	-------

Retained earnings	212.1	198.0
-------------------	-------	-------

Foreign currency translation adjustment	3.9	4.6
---	-----	-----

1,095.6 446.4

5,177.0 5,346.1

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board:

Director



Director



Notes to the 1995 Consolidated Financial Statements

(dollars in millions, except
per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation's primary business activities are the transportation of crude oil and other liquid hydrocarbons by pipeline and the distribution of natural gas. Pipeline activities consist of the ownership and/or operation of various pipeline systems located in Canada and the United States. The natural gas distribution business consists primarily of utility operations serving central and eastern Ontario.

The consolidated financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee. Amounts are stated in Canadian dollars unless otherwise noted.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries. Investments in entities which are not subsidiaries, but over which the Corporation exercises significant influence, are accounted for using the equity method. Other investments are accounted for on the cost basis.

The Corporation's natural gas distribution business is conducted through an 85% owned subsidiary, The Consumers' Gas Company Ltd. The Corporation consolidates the September 30 fiscal year results of Consumers Gas on a quarter lag basis as this method of consolidation reflects the results of gas distribution activities in accordance with its regulatory, tax and operating cycles. Accordingly, references to "December 31" reflect the financial position of Consumers Gas as at September 30, and references to the "year ended December 31" include the results of Consumers Gas for its fiscal year ended September 30 (1994 – from June 30, the date of acquisition, to September 30).

Regulation

The Corporation's primary business activities are subject to regulation by various authorities, including the National Energy Board (NEB) for Canadian pipeline operations, the Federal Energy Regulatory Commission (FERC) for U.S. pipeline operations, and the Ontario Energy Board (OEB) for the gas distribution segment. These regulatory authorities exercise statutory authority over various matters such as construction, rates and underlying accounting practices, and ratemaking agreements with shippers. In order to achieve proper matching of revenues and expenses, the Corporation follows accounting practices prescribed by the regulators or stipulated in approved ratemaking agreements. Accordingly, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under generally accepted accounting principles applicable to non regulated operations.

Foreign Currency Translation

The Corporation's foreign operating activities are self sustaining and are translated into Canadian dollars using the current rate method. Assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the date of the consolidated statement of financial position. Income and expense items are translated at exchange rates prevailing during the year. Gains and losses resulting from these translation adjustments are deferred as a separate component of shareholders' equity until there is a realized reduction of a foreign investment.

Certain investing and financing activities of the Corporation are undertaken in the United States and are integrated with the Corporation's operations. As a result, related accounts are translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at rates of exchange in effect at the date of the consolidated statement of financial position. Non-monetary assets and liabilities are translated at historical rates of exchange. Income and expense items are translated at exchange rates prevailing during the year, except for items relating to non monetary assets and liabilities which are translated at the applicable historical rates of exchange. Gains and losses resulting from these translation adjustments are included in earnings.

Revenue Recognition

Revenue derived from the transportation of crude oil and other liquid hydrocarbons is recognized primarily upon delivery. Revenue from the distribution of natural gas is recorded when billed, on the basis of meter readings or estimates made throughout the month and not adjusted for consumption to month end.

Income Taxes

The Corporation recovers income tax expense based on the taxes payable method when prescribed by the regulators for ratemaking purposes or when stipulated in ratemaking agreements. Under this method, no provision is made for income taxes deferred as a result of timing differences in the recognition of revenues and expenses for income tax and financial statement purposes. This method is followed for accounting purposes as there is reasonable expectation that all

such taxes will be recovered through rates when they become payable. In all other instances, the tax allocation method of accounting is followed.

Cash and Short Term Investments

Cash includes short term deposits, which are all highly marketable securities with a maturity of three months or less when purchased. Short term investments are marketable securities with a maturity of more than three months when purchased. Short term deposits and investments are held to maturity and valued at cost.

Gas in Storage

Supplies of natural gas are costed into inventory at prices as approved by the OEB in the determination of customer sales rates. The actual cost of gas purchased includes the impact of any natural gas price risk management activities. The difference between the approved price and the actual cost of the gas purchased is deferred for future disposition as approved by the OEB.

Deferred Financing Charges

Deferred financing charges are amortized on the straight line basis over the life of the related debt. Unamortized financing charges related to debt refinanced, together with the costs of issuing replacement debt, are deferred and amortized over the life of the replacement issues.

Property, Plant and Equipment

Expenditures for system expansion and major renewals and betterments are capitalized; maintenance and repair costs are expensed as incurred. Regulated operations in Canada follow the practice of capitalizing, at rates authorized by the regulatory authorities, an allowance for interest during construction. When prescribed by the regulator, Canadian pipeline operations also capitalize an allowance for equity funds used during construction, at authorized rates.

Contributions in aid of construction of gas distribution assets are deducted from the cost of acquiring property, plant and equipment, with subsequent depreciation calculated on the net cost.

Depreciation

Depreciation of property, plant and equipment is provided on the straight line basis over their estimated service lives. When property, plant and equipment are retired or otherwise disposed of, the cost less net proceeds is charged to accumulated depreciation. For major disposals, the gain or loss arising on disposition is included in earnings.

A provision for future removal and site restoration costs for the gas distribution segment is recorded and recovered through depreciation at rates approved by the OEB. Actual costs incurred are charged to accumulated depreciation. Similar costs are not recovered through tolls for crude oil pipeline operations as regulatory approval has not been sought and the recovery method and timing have not been determined. No provision has been made for future pipeline removal and site restoration costs since it is expected that these costs will be recovered through pipeline tolls.

Off Balance Sheet Financial Instruments

Amounts received or paid under foreign exchange and interest rate swap contracts, including deferred gains and losses realized upon settlement, are recognized over the life of the underlying hedged items. The impact of forward foreign exchange contracts used to match the effect of translating Canadian dollar denominated monetary items held by an integrated U.S. subsidiary is recognized in earnings at the same time as the translation gains or losses. Amounts received or paid under natural gas price swaps are recognized as part of the actual cost of the underlying physical purchase.

Postretirement Benefits

For pipeline operations with defined benefit pension plans, pension costs and obligations are determined using the projected benefit method and are charged to earnings as services are rendered. Consistent with the ratemaking process of the gas distribution segment, only contributions made to the pension plan are expensed as pension costs.

The Corporation also provides postretirement benefits other than pensions, including group health care and life insurance benefits for eligible retirees, their spouses and qualified dependents. For Canadian pipeline and gas distribution operations, these obligations are charged to earnings as funded. For U.S. operations, the cost of such benefits is accrued during the years the employees render service.

Comparative Amounts

Certain comparative amounts are reclassified to conform with the current year's financial statement presentation.

2. ACQUISITION OF CONSUMER GAS

On June 30, 1994, the Corporation completed its acquisition of 85% of the outstanding common shares of Consumers Gas, and certain other related assets, for an aggregate purchase price of \$1,203.8 million. This acquisition was accounted for using the purchase method.

The investment in Consumers Gas exceeded the book value of the net assets acquired by \$460.6 million. This excess was allocated to property, plant and equipment acquired, on the basis of estimated fair values, and is being amortized over the economic life of such assets.

June 30, 1994

Net assets acquired:

Working capital deficiency	(36.9)
Deferred charges and other	54.6
Property, plant and equipment	2,646.1
Long term debt, including current portion	(1,206.4)
Deferred credits	(10.0)
Deferred income taxes	(6.8)
Minority interest	(236.8)
	<u>1,203.8</u>

Financed by:

Cash resources	193.6
Convertible Debentures	166.8
Variable rate financing	843.4
	<u>1,203.8</u>

3. ACQUISITIONS AND LONG TERM INVESTMENTS

In 1995, the Corporation acquired two pipeline companies in separate transactions:

- On March 10, 1995, the Corporation completed the acquisition of Producers Pipelines Inc. for total consideration of \$50.1 million. Producers operates crude oil trunk and gathering lines in southern Saskatchewan and Manitoba, which connect with the Corporation's main pipeline system.
- On November 14, 1995, the Corporation completed the \$35.2 million acquisition of Portal Pipe Line Company. Portal operates a pipeline that extends from northeast Montana, across North Dakota, into Minnesota where it connects with the U.S. portion of the main pipeline system.

The cost of these acquisitions, which were accounted for using the purchase method, exceeded the book values of assets acquired by \$50.0 million. This excess was allocated to property, plant and equipment acquired, on the basis of estimated fair values, and is being amortized over the economic life of such assets. The acquisitions were financed with a combination of debt and equity financing issued during the year.

The 1995 consolidated results of the Corporation reflect the results of operations of these subsidiaries subsequent to their dates of acquisition. On a proforma basis, the effect of these acquisitions on revenue, earnings and earnings per share would not have been material for 1995 or 1994 had the transactions occurred at the beginning of such years.

During 1995, the Corporation made a long term investment of \$19.0 million (1994 – \$20.0 million) in a pipeline project in Colombia (Note 8).

4. SEGMENTED INFORMATION

The Corporation evaluates its operating results by primary operating activity.

Pipeline

The Corporation's main pipeline system is the primary transporter of Western Canadian crude oil production. The system extends across the Canadian prairies to the major refining centres in the Great Lakes region of the United States and continues into Ontario and Quebec. The Canadian portion of the system is owned and operated by a wholly owned subsidiary; the U.S. portion is operated and 18% owned by a wholly owned U.S. subsidiary. The Corporation also owns other pipelines in North America through wholly owned subsidiaries.

Gas Distribution

The gas distribution segment consists of utility operations which serve over 1.2 million residential, commercial, industrial and other customers, primarily in central and eastern Ontario.

International

The international business segment represents the Corporation's long term investment in a crude oil pipeline project in Colombia for which the Corporation also acts as an operator.

Corporate

The corporate segment reflects other investing and financing activities including general corporate investments, non-regulated debt, and costs associated with business development activities.

Business Segments

Year ended December 31, 1995	Pipeline	Gas Distribution	Inter- national	Corporate	Total
Operating revenue	467.6	1,855.2	—	—	2,322.8
Expenses					
Gas costs	—	1,123.0	—	—	1,123.0
Operating and administrative	196.5	317.4	—	1.9	515.8
Depreciation	89.0	131.4	—	1.1	221.5
	285.5	1,571.8	—	3.0	1,860.3
Operating income (loss)	182.1	283.4	—	(3.0)	462.5
Investment and other income	20.4	2.4	4.8	11.5	39.1
Interest expense	(73.3)	(143.7)	—	(58.7)	(275.7)
Earnings (loss) before undernoted	129.2	142.1	4.8	(50.2)	225.9
Income taxes	(48.9)	(45.5)	—	20.0	(74.4)
Minority interest	—	(21.1)	—	—	(21.1)
Earnings (loss)	80.3	75.5	4.8	(30.2)	130.4
Earnings (loss) per share	1.41	1.33	0.09	(0.53)	2.30
Capital expenditures	82.5	345.4	—	0.8	428.7
December 31, 1995					
Identifiable assets	1,567.5	3,475.6	43.5	90.4	5,177.0

Year ended December 31, 1994	Pipeline	Gas Distribution	Inter-national	Corporate	Total
Operating revenue	397.4	194.1	—	—	591.5
Expenses					
Gas costs	—	105.3	—	—	105.3
Operating and administrative	200.9	66.2	—	0.3	267.4
Depreciation	70.8	30.2	—	1.0	102.0
	271.7	201.7	—	1.3	474.7
Operating income (loss)	125.7	(7.6)	—	(1.3)	116.8
Investment and other income	33.7	3.0	—	35.4	72.1
Interest expense	(55.8)	(33.3)	—	(60.8)	(149.9)
Earnings (loss) before undernoted	103.6	(37.9)	—	(26.7)	39.0
Income taxes	(29.5)	19.2	—	13.9	3.6
Minority interest	—	1.0	—	—	1.0
Earnings (loss)	74.1	(17.7)	—	(12.8)	43.6
Earnings (loss) per share	1.85	(0.44)	—	(0.32)	1.09
Capital expenditures	278.0	97.5	—	1.1	376.6
December 31, 1994					
Identifiable assets	1,568.7	3,322.0	20.0	435.4	5,346.1

Prior to 1994, the Corporation operated solely in the pipeline business. The Corporation does not have reportable geographic segments other than Canada. Assets located outside of Canada are operationally insignificant or are of a general corporate nature.

5. INVESTMENT AND OTHER INCOME

Year ended December 31,	1995	1994	1993
Long term investments	21.2	37.1	23.3
Short term investments	6.2	11.2	6.8
Allowance for equity funds used during construction	1.0	6.4	1.6
Recovery of interest from Home Oil (Note 10)	2.3	13.8	13.8
Other	8.4	3.6	3.1
	39.1	72.1	48.6

6. INTEREST EXPENSE

Year ended December 31,	1995	1994	1993
Long term debt	258.3	124.6	50.2
Convertible Debentures	2.5	14.9	—
Series J Debentures	2.3	13.8	13.8
Short term borrowings	19.4	4.4	2.5
Capitalized	(6.8)	(7.8)	(1.6)
	275.7	149.9	64.9

7. INCOME TAXES

The geographic components of pretax earnings and income taxes were as follows:

Year ended December 31,	1995	1994	1993
Earnings before income taxes and minority interest			
Canada	178.5	(11.1)	85.1
United States	42.6	50.1	35.0
International	4.8	—	—
	225.9	39.0	120.1
Current income taxes			
Canada	58.5	(25.6)	(13.9)
United States	30.8	29.9	26.7
	89.3	4.3	12.8
Deferred income taxes			
Canada	(0.9)	2.0	42.4
United States	(14.0)	(9.9)	(15.9)
	(14.9)	(7.9)	26.5
Income taxes (recovery)	74.4	(3.6)	39.3

Deferred income taxes have arisen as a result of the following items:

Year ended December 31,	1995	1994	1993
Difference between capital cost allowance and depreciation:			
Property, plant and equipment	(2.4)	(1.9)	(1.3)
Long term investment	(0.5)	(2.3)	44.2
Transfer of U.S. pipeline business to Master Limited Partnership	(15.7)	(6.3)	(13.1)
Other	3.7	2.6	(3.3)
	(14.9)	(7.9)	26.5

Accumulated deferred income taxes which have not been recorded in the accounts amounted to \$448.0 million at December 31, 1995 (1994 – \$409.4 million). Had the deferred method of tax allocation been prescribed by the regulatory authorities for ratemaking purposes, such amounts would have been recorded and recovered in rates to date.

The income tax provision differs from the amount that would have been expected using the combined Canadian federal and provincial statutory income tax rate for IPL Energy Inc. The difference results from the items shown in the following table:

Year ended December 31,	1995	1994	1993
Earnings before income taxes and minority interest	225.9	39.0	120.1
Statutory income tax rate	44.6%	44.3%	44.3%
Income taxes at statutory rate	100.8	17.3	53.2
Increase (decrease) resulting from:			
Temporary differences for which no deferred taxes are provided	(38.6)	(20.7)	(9.0)
Income tax rate differentials	(6.3)	(4.5)	(3.3)
Large Corporations Tax in excess of surtax	6.9	4.7	1.9
Other	11.6	(0.4)	(3.5)
Income taxes (recovery)	74.4	(3.6)	39.3
Effective income tax rate	32.9%	(9.2%)	32.7%

8. LONG TERM INVESTMENTS

December 31,	1995	1994
U.S. Master Limited Partnership	33.3	37.4
Colombia Pipeline Project	38.7	20.0
Other	23.7	29.2
	95.7	86.6

U.S. Master Limited Partnership

The portion of the main pipeline system located in the United States is owned by Lakehead Pipe Line Partners, L.P., a U.S. Master Limited Partnership. The Corporation's wholly owned U.S. subsidiary, Lakehead Pipe Line Company, Inc., holds an approximate 18% equity interest in the Partnership and manages and operates the U.S. pipeline business as the General Partner.

In September 1994, the Partnership completed a public issuance of additional Preference Units which reduced Lakehead's equity interest in the Partnership from 20%. The proceeds received by the Partnership were allocated among the capital accounts of the unitholders based upon the increase in Partnership net assets attributable to each interest as a result of the issuance. The Corporation's pro rata share of Partnership net assets increased by \$12.4 million, which was recognized in earnings in 1994.

Lakehead Services, Limited Partnership facilitates the ongoing financing of the Partnership. Lakehead owns a 99% limited partner interest in the Services Partnership and the Partnership holds a 1% general partner interest. The Services Partnership has irrevocably placed U.S. \$124.0 million (1994 – U.S. \$157.0 million) of U.S. government securities in a trust to be used solely for satisfying scheduled payments of both interest and principal on borrowings of U.S. \$120.0 million (1994 – U.S. \$151.0 million) under a Revolving Credit and Term Loan Facility which was assumed by the Services Partnership from the Partnership. This transaction has been recognized as an in substance defeasance and the debt is considered to be extinguished.

The operating results of the Partnership were as follows:

Year ended December 31, (U.S. dollars)	1995	1994	1993
Operating revenue	268.5	246.0	240.1
Operating expenses	(195.2)	(159.7)	(159.6)
Interest expense	(40.3)	(29.8)	(30.9)
Other	6.6	3.4	2.4
Net income	39.6	59.9	52.0

The Corporation's interest in the net income of the Partnership, adjusted for an allocation of depreciation on an historical cost basis for assets originally contributed on formation of the Partnership, amounted to \$13.0 million (1994 – \$19.9 million; 1993 – \$16.4 million). In 1995, the Corporation received cash distributions of \$16.4 million from the Partnership (1994 – \$15.7 million; 1993 – \$13.3 million).

The assets and liabilities of the Partnership are summarized below:

December 31, (U.S. dollars)	1995	1994
Current assets	184.6	134.7
Deferred charges and other	5.5	6.3
Property, plant and equipment, net	725.1	727.6
	915.2	868.6
Current liabilities	107.7	68.7
Long term debt	395.0	364.0
Partners' capital	412.5	435.9
	915.2	868.6

The carrying value of the Corporation's investment in the Partnership includes unremitted equity earnings of \$8.7 million (1994 – \$12.1 million).

Colombia Pipeline Project

Pursuant to an agreement with a consortium of crude oil producers/shippers, the Corporation has made a long term investment in a pipeline project in Colombia. Under the terms of the agreement, the Corporation earns a fixed rate of return on its investment effective January 1, 1995 and has no residual interest in the assets of the project. From time to time, the Corporation is required to provide further funds upon the call of the parties to the agreement. At December 31, 1995, the Corporation had a remaining commitment of approximately U.S. \$80 million.

This investment, which is accounted for on the cost basis, will be redeemed in equal payments over a ten-year period. Subject to certain conditions, redemption may commence in 2003 but, in any event, no later than 2012.

Earnings, which are recognized to the extent received or receivable, amounted to \$4.8 million in 1995 reflecting the fixed rate of return on the investment. Under a separate agreement, the Corporation has been appointed as one of the operators of the project and will earn operating fees commencing in 1996.

9. PROPERTY, PLANT AND EQUIPMENT, NET

December 31, 1995	Weighted Average Depreciation Rate	Cost	Accumulated Depreciation	Net
Pipeline	4.0%	2,350.0	924.7	1,425.3
Gas distribution	2.5%	3,089.0	161.7	2,927.3
Other	3.0%	35.4	10.3	25.1
		5,474.4	1,096.7	4,377.7

December 31, 1994	Weighted Average Depreciation Rate	Cost	Accumulated Depreciation	Net
Pipeline	3.9%	2,166.2	853.1	1,313.1
Gas distribution	2.5%	2,743.6	30.2	2,713.4
Other	3.5%	34.6	9.2	25.4
		4,944.4	892.5	4,051.9

The average depreciation rate for the gas distribution segment, after inclusion of the provision for future removal and site restoration costs, is 3.9% (1994 - 3.8%).

10. DEBT**Long Term Debt**

December 31,			1995	1994
	Weighted Average Interest Rate	Maturity		
Regulated Debt				
Pipeline				
Fixed rate ¹	9.8%	1998 – 2024	740.1	544.2
Variable rate	6.7%		19.1	127.6
			759.2	671.8
Gas Distribution				
Fixed rate	9.7%	1996 – 2024	1,246.0	1,184.1
Other ²	8.5%	1996 – 1997	75.3	86.5
			1,321.3	1,270.6
Total regulated debt			2,080.5	1,942.4
Non Regulated Debt				
Fixed rate ³	8.8%	1998 – 2001	303.4	—
Variable rate	6.4%		279.5	973.9
Total non regulated debt			582.9	973.9
Total long term debt			2,663.4	2,916.3
Current portion of long term debt			(109.5)	(75.0)
Long term debt			2,553.9	2,841.3

1 Includes \$163.9 million of debentures (1994 – \$147.5 million) secured by a first mortgage on specific pipeline properties and the assignment of the benefits of a shipping agreement.

2 Primarily comprises commercial paper borrowings effectively converted into long term debt through the use of long term interest rate swaps.

3 Includes U.S. \$130.0 million 9.4% debentures which have effectively been converted into Canadian \$178.1 million at an effective cost of 8.8% reflecting the use of a cross currency swap and the amortization of both debenture purchase warrant proceeds totaling \$13.3 million and hedging costs over the life of the primary instrument.

The amounts of long term debt maturities and sinking fund requirements for the years ending December 31, 1996 through 2000, in millions, are \$109.5, \$92.2, \$473.7, \$323.0 and \$73.0, respectively.

The weighted average interest rate on short term borrowings at December 31, 1995 was 6.6% (1994 – 5.7%).

Credit Facilities

At December 31, 1995, the Corporation had \$1,250.5 million in credit facilities which were available for the following business segments:

	Committed ¹	Uncommitted	Drawdowns ²
Pipeline and corporate	560.0	15.0	167.2
Gas distribution	359.4	316.1	9.0
	919.4	331.1	176.2

1 Committed facilities carry a weighted average standby fee of 0.16% per annum on the unutilized portion. \$500 million of the committed facilities for pipeline and corporate purposes expire December 31, 1999 and are secured by the shares of certain Canadian pipeline subsidiaries. The committed credit facilities of the gas distribution segment, which support a commercial paper program, expire on March 21, 1996 and are renewable subject to the approval of the lenders.

2 Upon drawdown, loans bear interest at prevailing market rates.

Convertible Debentures

On March 24, 1994, the Corporation issued \$500 million 3.75% Convertible Unsecured Subordinated Debentures, represented by instalment receipts, with a maturity date of March 15, 2015, in order to provide permanent financing for the acquisition of Consumers Gas. The debentures became convertible, at the option of the holders, into common shares of the Corporation upon payment of the second instalment which was due March 1, 1995. At December 31, 1995, substantially all of the debentures had been converted.

Series J Debentures

On May 1, 1991, the Corporation distributed ownership of its oil and gas subsidiary, Home Oil Company Limited, to all shareholders. The principal and interest obligations on certain indebtedness of the Corporation were assumed by Home Oil effective on that date. These obligations included the 11% Series J Debentures (\$125.0 million due February 28, 1995) which continued to be the legal obligation of the Corporation. However, a letter of credit was received from a financial institution in favour of the Corporation guaranteeing Home Oil's payment obligations, which matched the Corporation's liability for principal and interest payments on these debentures. The debentures and the receivable from Home Oil were paid in full on their due date.

11. MINORITY INTEREST

The minority interest in Consumers Gas consisted of the following:

December 31, (number of shares in thousands)	1995		1994	
	Number	Amount	Number	Amount
Cumulative Redeemable Preference Shares, Group 1 \$5.50 Series A, \$5.50 Series B and \$5.00 Series C	59	5.9	63	6.3
Cumulative Redeemable Retractable Preference Shares, Group 2 \$1.6125 Series C	2,000	50.0	2,000	50.0
Cumulative Redeemable Retractable Preference Shares, Group 3 \$1.43 Series C	2,000	50.0	2,000	50.0
Common shares	10,181	133.0	10,024	125.6
	238.9		231.9	

12. CAPITAL STOCK

The authorized capital stock of the Corporation consists of an unlimited number of common and preferred shares. No preferred shares have been issued.

(number of shares in thousands)	1995		1994		1993	
	Number	Amount	Number	Amount	Number	Amount
Balance at beginning of year	40,583	243.8	39,932	225.2	39,817	222.5
Dividend Reinvestment and Share Purchase Plan	849	24.9	395	10.7	—	—
Conversion of Convertible Debentures	15,079	483.4	243	7.6	—	—
Public issuance	4,170	122.2	—	—	—	—
Other	192	5.3	13	0.3	115	2.7
Balance at end of year	60,873	879.6	40,583	243.8	39,932	225.2

Earnings Per Share

Earnings per share are computed on the weighted average number of shares outstanding of 56,791,000, 40,086,000, and 39,889,000 in 1995, 1994, and 1993, respectively. On a full year basis, in each of the years for the three-year period ended December 31, 1995, there were no materially dilutive instruments outstanding.

Dividend Reinvestment and Share Purchase Plan

In 1994, the Corporation introduced a Dividend Reinvestment and Share Purchase Plan. Under the Plan, registered shareholders may reinvest dividends in common shares of the Corporation at a discount to market, and purchase additional common shares at the market price through optional cash payments of up to \$5,000 per quarter.

Issuance of Capital Stock

On May 26, 1995, the Corporation completed a public offering of 4,170,000 common shares for cash proceeds of \$125.1 million less related issue costs.

Shareholder Rights Plan

Subject to shareholder confirmation on May 2, 1996, the Corporation has established a Shareholder Rights Plan designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Corporation. The rights issued under the plan become exercisable when a person, and any related parties, acquires or announces its intention to acquire 20% or more of the Corporation's outstanding common shares without complying with certain provisions set out in the rights plan, or without approval of the Board of Directors of the Corporation. Should such an acquisition or announcement occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Corporation at a 50% discount to the market price at that time.

13. STOCK OPTIONS

Year ended December 31, (thousands)	1995	1994	1993
Number of shares under option at beginning of year	496	384	387
Options granted	199	143	79
Options exercised	(35)	(10)	(68)
Options cancelled	(4)	(21)	(14)
Number of shares under option at end of year	656	496	384

Under the Corporation's stock option plan, full time key employees are granted options to purchase unissued common shares. At December 31, 1995, the exercise prices of outstanding stock options ranged from \$19.55 to \$32.75 (1994 and 1993 – \$17.67 to \$32.375) and averaged \$28.46 (1994 – \$26.49; 1993 – \$25.34). Outstanding stock options will expire over a period ending no later than November 9, 2005.

14. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

With the exception of the items listed below, the estimated fair values of all financial instruments approximate the carrying amounts.

December 31,	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long term debt				
Regulated	2,080.5	2,295.9	1,942.4	1,995.8
Non regulated	582.9	614.7	973.9	979.1
Convertible Debentures	—	—	492.1	429.9

The following methods and assumptions were used to estimate the fair value of each class of financial instruments at December 31, 1995 and 1994:

- The fair value of *long term debt* is based on quoted market prices at year end for the same or similar instruments or based on the discounted future cash flows of each debt issue at its estimated yield to maturity. Due to the regulatory nature of business operations, the Corporation has the ability to recover interest on regulated debt at existing rates.
- The fair value of *Convertible Debentures* was based on quoted market prices at December 31, 1994.
- The carrying amount of the Corporation's *long term investment* in the Colombia Pipeline Project approximates fair value as the contractual rate of return represents current market rates for investments with similar terms and conditions.
- The carrying amounts of *instalment receipts receivable, the receivable from Home Oil, the Series J Debentures* and all financial instruments classified as current approximate fair value because of the short maturities of these instruments.

Trade receivables relating to crude oil pipeline operations consist primarily of amounts due from companies operating in the oil and gas industry and are collateralized by the crude oil and other products contained in the Corporation's pipeline and storage facilities. Credit risk with respect to trade receivables of the gas distribution business is reduced by the large and diversified customer base, and the ability to recover an estimate for doubtful accounts through the ratemaking process. The allowance for doubtful accounts amounted to \$15.0 million at December 31, 1995 (1994 – \$15.2 million).

Off Balance Sheet Financial Instruments

The Corporation utilizes a variety of hedging instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and natural gas prices. All of these instruments are used for purposes other than trading and are employed in connection with an underlying asset, liability or anticipated transaction. To limit its exposure to credit losses, the Corporation deals only with high credit quality institutions.

At year end, the Corporation was party to off balance sheet financial instruments hedging the following exposures:

December 31,	1995		1994	
	Notional Principal or Quantity	Maturity	Notional Principal or Quantity	Maturity
Foreign exchange	327.9	1996 – 2001	139.8	1995
Interest rates	371.9	1996 – 2005	315.3	1995 – 1996
Natural gas prices (billion cubic feet)	57.7	1996	76.6	1995

Forward foreign exchange contracts, including cross currency swaps, are used to hedge the exposure on U.S. dollar denominated debt and to match the effect of translating Canadian dollar denominated monetary items held by an integrated U.S. subsidiary.

To hedge against the impact of future interest rate movements on its short term and long term borrowing requirements, the Corporation enters into forward interest rate agreements, interest rate swaps and interest rate collars.

The Corporation also uses natural gas price swaps to manage its exposure to price fluctuations which, under the majority of system supply gas contracts, are based on U.S. dollar denominated natural gas futures contracts plus a basis differential. At December 31, 1995, the Corporation had entered into natural gas price swaps to effectively fix the price and the related U.S. dollar exchange rate for approximately 33% (1994 – 33%) of its forecast 1996 system gas supply. During the year ended December 31, 1995, the Corporation hedged 56%, or 104.5 billion cubic feet, of its system gas supply.

The fair value of off balance sheet financial instruments reflects the estimated amounts that the Corporation would receive or pay to terminate the contracts at the reporting date, calculated as the difference between the present value of estimated future receipts and future payments under the terms of each instrument. At December 31, 1995, the fair values of the cross currency and natural gas price swaps were \$9.6 million and \$5.7 million payable, respectively (1994 – natural gas swaps, \$15.7 million payable). The fair values of all other off balance sheet financial instruments were immaterial in both 1995 and 1994.

At December 31, 1995 and 1994, no material credit risk exposure existed as the Corporation was not party to any off balance sheet financial instruments in a significant receivable position.

There were no material gains or losses deferred in relation to any of the Corporation's off balance sheet hedges of anticipated transactions at December 31, 1995 and 1994.

15. POSTRETIREMENT BENEFITS

Pension Plans

The Corporation has contributory and non contributory defined benefit pension plans which cover substantially all employees. Retirement benefits are based on the employees' years of service and remuneration. Contributions made by the Corporation are in accordance with independent actuarial valuations and are invested primarily in publicly traded equity and fixed income securities.

For pipeline operations with defined benefit pension plans, pension costs reflect management's best estimates of the rate of return on pension plan assets, rate of salary increases and various other factors including mortality rates, terminations and retirement ages. Adjustments arising from plan amendments, experience gains and losses, and changes to assumptions are amortized over the expected average remaining service lives of the employees.

For the gas distribution segment, the Corporation records as its pension expense the contributions deemed sufficient by its actuaries to fully fund the plan over an acceptable time frame.

The status of the Corporation's pension plans were as follows:

December 31,	1995	1994
Pension plan assets at market values:		
Pipeline	212.4	179.1
Gas distribution	431.5	393.3
	643.9	572.4
Projected benefit obligations:		
Pipeline	173.6	147.7
Gas distribution	297.5	272.0
	471.1	419.7

The Corporation's pension cost amounted to \$9.6 million (1994 – \$2.4 million; 1993 – \$1.0 million) and the deferred pension asset was \$12.3 million (1994 – \$10.8 million).

Postretirement Benefits Other than Pensions

The cost of providing postretirement benefits other than pensions amounted to \$1.4 million (1994 – \$0.6 million; 1993 – \$0.4 million).

16. RELATED PARTY TRANSACTIONS

The U.S. Master Limited Partnership, which does not have any employees, uses the services of the Corporation for managing and operating the U.S. pipeline business. These services, which are charged at cost in accordance with service agreements, amounted to \$46.7 million (1994 – \$48.1 million; 1993 – \$44.4 million). Accounts receivable include \$1.6 million due from the Partnership (1994 – \$1.7 million).

17. CONTINGENCIES

Consumers Gas

Consumers Gas is aware that the remediation of discontinued manufactured gas plant sites may become an issue in the future. The probable overall cost of remediation measures cannot be determined at this time due to uncertainty about the existence or extent of environmental risks, the complexity of laws and regulations particularly with respect to sites decommissioned years ago and no longer owned by Consumers Gas, and the selection of alternative remediation approaches. Although there are no known regulatory precedents in Canada, there are precedents in the United States for recovery of costs of a similar nature in rates. Consumers Gas expects that, if it is found that it must contribute to any remediation costs, it would be generally allowed to recover in rates those costs not recovered through insurance or by other means and believes that the ultimate outcome of these matters would not have a significant impact on its financial position.

In 1994, a class action was commenced against Consumers Gas by a customer alleging that the OEB approved late payment penalties charged to customers were contrary to federal law and seeking certification of the action as a class action. The claim sought \$112 million in restitutionary payments and other relief on behalf of all people who were customers of Consumers Gas who had paid or been charged such penalties since April 1, 1981. The class action was not certified by the Court although the Class Proceedings Committee, established under the Ontario Class Proceedings Act, 1992, decided that it would fund the action. On February 13, 1995, Mr. Justice Winkler, of the Ontario Court of Justice, General Division, issued a judgement in favour of Consumers Gas dismissing the class action lawsuit. He concluded that the late payment charge is not interest payable on a credit transaction, but is an incentive to customers to pay their bills by a certain date. He held that Section 347 of the Criminal Code of Canada, which deals with interest on credit transactions, did not apply. On March 10, 1995, the plaintiff's solicitors filed a notice of an appeal of the decision of the trial judge. No date for a hearing of the appeal has been set. Consumers Gas is continuing to collect the penalties and will defend the action which it believes has no validity.

U.S. Master Limited Partnership

Lakehead will indemnify the Partnership from and against substantially all liabilities, including liabilities relating to environmental matters, arising from operations prior to the transfer of its pipeline operations to the Partnership in 1991. This indemnification does not apply to amounts that the Partnership would be able to recover in its tariffs or from insurance or to any liabilities relating to a change in laws since 1991. In addition, in the event of default, Lakehead, as the General Partner, is subject to recourse with respect to the Partnership's long term debt which amounted to U.S. \$395.0 million at December 31, 1995.

Lakehead, with an indemnification from the Corporation, has agreed to support the minimum quarterly distributions on the 82% limited partnership interests held by the public to a cumulative maximum of U.S. \$60.0 million until December 31, 1996. To date, no support payments have been required under this agreement.

Rates filed by the Partnership between 1992 and 1995 are subject to review and approval by FERC. Based on the June 1995 FERC decision, the Partnership has made adequate provisions for rate refunds. Certain portions of this decision have been challenged by the Partnership's customers and are subject to further review by FERC. The final outcome of this review, which cannot be predicted at this time, could have a material effect on the Partnership's results. The Partnership has requested a rehearing of the decision and will vigorously oppose, through judicial means if necessary, any adverse FERC rulings.

Corporate

The Corporation is subject to recourse with respect to the long term debt of a Canadian long term investment which amounted to \$34.0 million at December 31, 1995.

18. SUBSEQUENT EVENT

On January 26, 1996, the Boards of Directors of IPL Energy and Consumers Gas independently authorized each of the companies to apply jointly to the Ontario government to eliminate the current requirement for maintenance of a 15% public float of the common shares of Consumers Gas. If approval is received, the Corporation intends to propose a transaction under which the minority shareholders of Consumers Gas would be given the opportunity to exchange their common shares for cash or a combination of cash and IPL Energy shares representing total consideration of \$21.00 per share (approximately \$214.0 million in total).

19. UNITED STATES ACCOUNTING PRINCIPLES

As a registrant with the United States Securities and Exchange Commission, the Corporation is required to reconcile its financial results for significant differences between generally accepted accounting principles in Canada (Canadian GAAP) and those accepted in the United States (U.S. GAAP). Although the accounting bodies of the two countries are moving towards harmonization of accounting principles, current differences with U.S. GAAP result in variations in reported earnings as well as differences in presentation and disclosure of other financial statement items.

The following information describes the impact of differences between Canadian and U.S. GAAP on the Corporation's consolidated financial statements:

Earnings¹	1995	1994	1993
Earnings reported under Canadian GAAP	130.4	43.6	80.8
Foreign currency translation gain (loss)	7.8	(12.4)	(9.0)
Earnings under U.S. GAAP	138.2	31.2	71.8
Earnings per share			
Canadian GAAP	2.30	1.09	2.03
U.S. GAAP	2.43	0.78	1.80

	1995		1994	
Cash Flows²	Canada	U.S.	Canada	U.S.
Cash from operating activities	476.1	425.4	199.7	9.7
Cash from financing activities	53.5	104.2	1,191.1	1,381.1

	1995		1994	
Financial Position³	Canada	U.S.	Canada	U.S.
Deferred charges and other	99.9	1,027.4	105.3	934.6
Property, plant and equipment, net	4,377.7	4,766.8	4,051.9	4,411.8
Deferred credits	26.7	167.1	12.4	138.1
Deferred income taxes	373.1	1,562.9	398.8	1,483.7
Retained earnings	212.1	198.5	198.0	176.6

1 Under U.S. GAAP the deferred income tax liability related to integrated foreign operations is considered a monetary item and translated using the rate of exchange in effect at the date of the statement of financial position.

2 Under U.S. GAAP changes in short term borrowings are classified as a financing activity (1993 – nil).

In 1995, interest paid, net of amounts capitalized, was \$249.9 million (1994 – \$124.1 million; 1993 – \$67.8 million). Income taxes paid amounted to \$89.6 million (1994 – \$69.1 million; 1993 – \$42.0 million).

3 Under U.S. GAAP deferred income tax liabilities are recorded for regulated operations which follow the taxes payable method. As these deferred income taxes are recoverable through future revenues, a corresponding deferred asset is also recorded. These assets and liabilities reflect changes in enacted income tax rates.

U.S. GAAP requires that the costs of postretirement benefits be determined using the accrual method of accounting. The application of the accrual method of accounting for pension and other post retirement benefits on a consolidated basis has no impact on earnings as any difference from the allowed method of recovery is recognized as a deferred asset or credit and would be recovered or refunded, respectively, through the regulatory process.

For business acquisitions, the purchase price allocation reflects the recognition of additional deferred income tax liabilities on the excess of the purchase prices over the net book value of assets acquired and liabilities assumed. A corresponding increase to property, plant and equipment acquired is also recognized. In addition, a portion of the purchase price is allocated to the unrecognized excess of pension plan assets over the projected benefit obligations at the date of acquisition. However, an offsetting deferred liability, reflecting the expected future refund of such excess through the regulatory process, is also recognized.

The following additional disclosures are required under U.S. GAAP:

Deferred Income Taxes

Deferred income taxes have arisen as a result of the following items:

December 31,	1995	1994
Differences between capital cost allowance and depreciation:		
Property, plant and equipment	565.5	528.7
Long term investment	41.4	41.9
Recognition of taxes on:		
Acquisition purchase price excess	389.1	359.9
Incremental revenue required for recovery of unrecorded taxes	340.6	309.0
Transfer of U.S. pipeline business to Master Limited Partnership	207.5	228.3
Other	18.8	15.9
Deferred income taxes	<u>1,562.9</u>	<u>1,483.7</u>

Pension Plans

Disclosures required under U.S. GAAP for pension plans are as follows:

Projected Benefit Obligations

December 31,	1995	1994
Actuarial present value of accrued pension benefits		
Vested	341.2	309.2
Non vested	14.8	12.5
Accumulated benefit obligations	356.0	321.7
Additional amounts related to future salary increases	115.1	98.0
Projected benefit obligations	<u>471.1</u>	<u>419.7</u>

Net Pension Asset

December 31,	1995	1994
Pension plan assets in excess of projected benefit obligations	172.8	152.7
Unrecognized pension plan surplus	(5.8)	(6.8)
Unrecognized net gain	(49.9)	(38.7)
Net pension asset under U.S. GAAP	<u>117.1</u>	<u>107.2</u>

Pension Cost

Year ended December 31,	1995	1994	1993
Benefits earned during the year	11.7	6.4	4.6
Interest cost on projected benefit obligations	35.4	17.1	11.3
Return on plan assets	(69.9)	(19.2)	(18.5)
Amortization and deferral of unrecognized amounts	22.5	(4.1)	3.4
Amount credited to the Partnership	0.2	0.4	0.2
Pension cost (credit) under U.S. GAAP	<u>(0.1)</u>	<u>0.6</u>	<u>1.0</u>

Economic Assumptions

The most significant economic assumptions made in the measurement of the pension costs and the projected benefit obligations of the pension plans were as follows:

Year ended December 31,	1995	1994	1993
Discount rate	7.3 – 8.5%	8.0 – 8.5%	8.5%
Average rate of salary increases	5.5 – 5.8%	5.5 – 5.8%	5.5%
Average rate of return on pension plan assets	8.0 – 8.5%	8.0 – 8.5%	8.5%

Postretirement Benefits Other Than Pensions

U.S. GAAP requires the accrual, during the years the employees render service, of the expected cost of providing postretirement health care and life insurance to employees, their beneficiaries and qualified dependents. On a consolidated basis, the accrual method of accounting for these benefits became effective in 1995.

Based on actuarial valuations dated January 1, 1995, the status of the Corporation's postretirement benefit plans was as follows:

Postretirement Benefit Obligations

December 31,	1995
Accumulated postretirement benefit obligation (APBO)	
Retirees eligible for benefits	32.0
Active employees fully eligible	13.2
Active employees not fully eligible	29.7
APBO	74.9
Plan assets at fair value	9.0
APBO in excess of plan assets	65.9
Unrecognized gain	1.6
Unrecognized transition obligation	(60.9)
Postretirement benefit obligations under U.S. GAAP	6.6

The transition obligation is being amortized over the expected average remaining service lives of the employee group.

Postretirement Benefit Cost

Year ended December 31,	1995
Service cost	2.1
Interest cost	5.6
Actual return on plan assets	(0.8)
Amortization and deferral of unrecognized amounts	4.1
Amount charged to the Partnership	(3.0)
Postretirement benefit cost under U.S. GAAP	8.0

Economic Assumptions

For the year ended December 31, 1995, the most significant economic assumptions made in the measurement of the postretirement benefit costs and the projected obligations were a discount rate ranging from 7.3% to 8.5%, a medical cost trend rate of 9.0% to 12.0%, and a dental cost trend rate of 6.0% to 8.9%. A 1% change in the assumed health care cost trend rate would result in a \$12.9 million change in the accumulated postretirement benefit obligation and a \$1.7 million change in postretirement benefit costs.

SUPPLEMENTARY INFORMATION (UNAUDITED)**Selected Quarterly Financial Data** (dollars in millions, except per share amounts)

1995 Quarters	First	Second	Third	Fourth	Total
Operating revenue	560.6	971.5	471.7	319.0	2,322.8
Operating income	103.5	237.8	76.1	45.1	462.5
Earnings	25.7	89.0	17.0	(1.3)	130.4
Cash provided from operating activities	114.5	44.9	162.1	154.6	476.1
Earnings per share	0.53	1.64	0.20	(0.07)	2.30
Dividends per share	0.50	0.50	0.50	0.50	2.00

1994 Quarters	First	Second	Third	Fourth	Total
Operating revenue	102.0	94.7	99.7	295.1	591.5
Operating income	36.2	29.8	34.7	16.1	116.8
Earnings	20.3	17.1	19.8	(13.6)	43.6
Cash provided from operating activities	44.6	87.4	18.4	49.3	199.7
Earnings per share	0.51	0.43	0.49	(0.34)	1.09
Dividends per share	0.50	0.50	0.50	0.50	2.00

Quarterly Share Trading Information**TSE (The Toronto Stock Exchange)**

1995 Quarters (dollars)	First	Second	Third	Fourth
High	30 $\frac{1}{4}$	31	31 $\frac{1}{2}$	33
Low	26 $\frac{7}{8}$	29 $\frac{5}{8}$	29 $\frac{3}{8}$	30 $\frac{1}{2}$
Close	30 $\frac{1}{4}$	30 $\frac{1}{4}$	30 $\frac{3}{4}$	31 $\frac{7}{8}$
Volume (thousands)	7,424	6,659	7,300	5,675

1994 Quarters (dollars)	First	Second	Third	Fourth
High	34 $\frac{1}{4}$	32 $\frac{1}{4}$	30 $\frac{3}{8}$	29 $\frac{1}{8}$
Low	30 $\frac{1}{2}$	27 $\frac{1}{4}$	28 $\frac{5}{8}$	26 $\frac{7}{8}$
Close	31 $\frac{1}{4}$	28 $\frac{5}{8}$	28 $\frac{7}{8}$	28 $\frac{1}{2}$
Volume (thousands)	4,785	4,855	3,496	3,216

NASDAQ (The National Association of Securities Dealers Automated Quotation System)

1995 Quarters (U.S. dollars)	First	Second	Third	Fourth
High	21 $\frac{11}{32}$	22 $\frac{3}{4}$	23 $\frac{1}{4}$	24 $\frac{1}{2}$
Low	18 $\frac{3}{4}$	21	21 $\frac{1}{2}$	22 $\frac{1}{4}$
Close	21 $\frac{1}{4}$	21 $\frac{29}{32}$	22	22 $\frac{33}{64}$
Volume (thousands)	73	31	35	51

1994 Quarters (U.S. dollars)	First	Second	Third	Fourth
High	25 $\frac{1}{2}$	23 $\frac{3}{4}$	22 $\frac{1}{4}$	21 $\frac{1}{8}$
Low	22 $\frac{1}{2}$	19 $\frac{3}{4}$	20 $\frac{1}{2}$	19 $\frac{1}{2}$
Close	22 $\frac{1}{2}$	20 $\frac{17}{64}$	21 $\frac{3}{8}$	20 $\frac{5}{16}$
Volume (thousands)	38	39	42	37

Five Year Consolidated Highlights¹

(dollars in millions, except
per share data)

	1995	1994	1993	1992	1991
SEGMENTED EARNINGS					
Pipeline	80.3	74.1	66.0	63.2	93.1
Gas distribution	75.5	(17.7)	—	—	—
International	4.8	—	—	—	—
Corporate	(30.2)	(12.8)	14.8	12.3	0.1
After tax gain on U.S. Partnership transaction	—	—	—	—	251.5
Discontinued oil and gas operations	—	—	—	—	(7.5)
Earnings	130.4	43.6	80.8	75.5	337.2

CASH FLOW DATA

Cash provided from operating activities	476.1	199.7	133.9	115.2	180.5
Capital expenditures	(428.7)	(376.6)	(82.9)	(116.1)	(118.1)
Regular dividends paid	(116.3)	(80.2)	(79.8)	(79.6)	(79.3)
Special dividend paid	—	—	—	(278.4)	—

FINANCIAL POSITION

Property, plant and equipment, net	4,377.7	4,051.9	1,127.0	1,113.4	1,062.6
Total assets	5,177.0	5,346.1	1,666.6	1,663.9	1,895.4
Long term debt (including current portion) ²	2,663.4	3,408.4	611.1	599.4	569.8
Total liabilities	4,081.4	4,899.7	1,203.4	1,205.0	1,436.7
Shareholders' equity	1,095.6	446.4	463.2	458.9	458.7

OPERATING DATA

Pipeline					
Operating revenue	467.6	397.4	395.2	392.4	626.7
Deliveries (thousands of barrels per day)	1,731	1,532	1,497	1,454	1,443
Barrel miles (billions)	382	350	346	340	671
Average haul (miles)	605	625	634	638	1,274
Gas Distribution					
Operating revenue	1,855.2	194.1	—	—	—
Distribution volume (billion cubic feet)	390.5	44.4	—	—	—
Number of active customers (thousands)	1,264	1,219	—	—	—
Degree day deficiency (degrees Celsius) ³	3,748	104	—	—	—

1 Comparability of the above is affected by the acquisition of Consumers Gas on June 30, 1994, the U.S. Master Limited Partnership transaction on December 27, 1991 and the distribution of the Corporation's ownership in Home Oil on May 1, 1991.

2 Excluding Series J Debentures (assumed by Home Oil).

3 Degree day deficiency is a measure of coldness. It is calculated by accumulating for each day in the fiscal period the total number of degrees by which the temperature fell below 18 degrees Celsius. The figures given are those accumulated in the Toronto area.

	1995	1994	1993	1992	1991
SHAREHOLDER AND INVESTOR INFORMATION					
Average shares outstanding weighted monthly during the year (thousands)	56,791	40,086	39,889	39,802	39,663
Number of registered shareholders at year end	8,824	7,929	7,590	7,484	6,511
SHARE TRADING (TSX)					
High	33	34 1/4	33	34 7/8	49 1/2
Low	26 7/8	26 7/8	22 3/8	21 7/8	28 5/8
Close	31 7/8	28 1/2	32 1/4	23	32 3/8
Volume (thousands)	27,058	16,352	20,477	7,289	4,859
PER SHARE DATA					
Earnings	2.30	1.09	2.03	1.90	8.50
Cash provided from operating activities	8.38	4.98	3.36	2.89	4.55
Dividends declared	2.00	2.00	2.00	2.00	9.00
FINANCIAL RATIOS¹					
Return on average shareholders' equity ²	16.9%	9.6%	17.5%	16.4%	19.5%
Return on average capital employed ³	6.8%	4.0%	7.4%	7.4%	9.6%
Debt/debt plus shareholders' equity ⁴	66.6%	83.4%	57.1%	58.2%	55.4%
Debt/total capital employed	60.5%	75.6%	41.3%	43.0%	40.4%
Earnings coverage of interest ⁵	1.8x	1.3x	3.3x	2.9x	3.6x
Regular dividend payout ratio ⁶	87.0%	183.5%	98.5%	105.3%	85.1%

1 Exclude discontinued oil and gas operations, and the Series J Debentures for which there was a corresponding long term receivable from Home Oil.

2 Earnings (excluding the 1991 gain on the U.S. Master Limited Partnership transaction and discontinued oil and gas operations) divided by average shareholders' equity. For 1991, shareholders' equity is before the after tax gain on the U.S. Master Limited Partnership transaction and the special dividend.

3 Sum of earnings (excluding the 1991 gain on the U.S. Master Limited Partnership transaction and discontinued oil and gas operations), minority interest and after tax interest expense divided by average capital employed. Capital employed is equal to the sum of shareholders' equity, minority interest, deferred income taxes, deferred credits and total long term debt. For purposes of calculating the average capital employed in 1991, shareholders' equity is before the after tax gain on the U.S. Master Limited Partnership transaction and the special dividend, and deferred income taxes exclude the tax on the transaction gain.

4 Total long term debt (including current portion) divided by the sum of shareholders' equity and minority interest.

5 Sum of earnings (excluding the 1991 gain on the U.S. Master Limited Partnership transaction and discontinued oil and gas operations) before income taxes, minority interest and interest expense, divided by interest expense.

6 Regular dividends divided by earnings (excluding the 1991 gain on U.S. Master Limited Partnership transaction and discontinued oil and gas operations).

Corporate Information

BOARD OF DIRECTORS

J. Lorne Braithwaite^{1,4}
President & Chief Executive Officer
Cambridge Shopping Centres Limited
Toronto, Ontario

William A. Dimma¹
Company Director
Toronto, Ontario

E. Susan Evans
Company Director
Calgary, Alberta

F. William Fitzpatrick
Company Director
Paradise Valley, Arizona

Richard L. George
President & Chief Executive Officer
Suncor, Inc.
Calgary, Alberta

Louis D. Hyndman³
Senior Partner
Field & Field Perraton
Edmonton, Alberta

Brian F. MacNeill
President & Chief Executive Officer
IPL Energy Inc.

H. Gordon MacNeill^{2,4}
Chairman
Jannock Limited
Toronto, Ontario
Chairman
IPL Energy Inc.

Robert W. Martin²
Chairman
Silcorp Limited
Toronto, Ontario

Earl H. Orser
Chairman
Spar Aerospace Limited
Toronto, Ontario
Honorary Chairman
London Life Insurance Company
London, Ontario

David E. Powell¹
Company Director
Calgary, Alberta

Donald J. Taylor¹
Company Director
Jacksons Point, Ontario

SENIOR MANAGEMENT

Mel F. Belich
Senior Vice President, General Counsel &
Corporate Secretary

Patrick D. Daniel
Senior Vice President
President & Chief Operating Officer
Interprovincial Pipe Line Inc.

Brian F. MacNeill
President & Chief Executive Officer
Ronald D. Munkley
Senior Vice President

President & Chief Executive Officer
The Consumers' Gas Company Ltd.

Benny J. Phillips
Senior Vice President
President & Chief Operating Officer
IPL International Inc.

R. Hugh B. Sangster
Senior Vice President
President & Chief Operating Officer
Lakehead Pipe Line Company, Inc.

Derek P. Truswell
Senior Vice President &
Chief Financial Officer

SHAREHOLDER INFORMATION

Registrar and Transfer Agent in Canada

The R-M Trust Company
393 University Avenue
Fifth Floor
Toronto, Ontario
M5G 2M7
Telephone: (416) 813-4600
Toll Free: (800) 387-0825

The R-M Trust Company also has offices
in Halifax, Montreal, Calgary, Regina and
Vancouver.

Co-Registrar and Co-Transfer Agent in the United States

Chemical Mellon
Shareholder Services
13th Floor
120 Broadway
New York, NY, 10271
USA
Attention: Stock Transfer
Telephone: (212) 613-7427
Toll Free: (800) 387-0825

Inquiries regarding the dividend
reinvestment and share purchase plan,
change of address, share transfer, lost
certificates, dividends, and duplicate
mailings should be directed, as
appropriate, to The R-M Trust Company
in Canada or to Chemical Mellon in the
United States.

Other inquiries may be addressed to:

Manager, Investor Relations
IPL Energy Inc.
2900, 421-7 Avenue S.W.
Calgary, Alberta, Canada
T2P 4K9
Telephone: (403) 231-3906
Toll Free: (800) 481-2804
Facsimile: (403) 231-3920

STOCK TRADING

The common shares of IPL Energy
Inc. trade in Canada on the
Toronto and Montreal stock
exchanges under the ticker symbol
"IPL", and in the United States on
NASDAQ under "IPPIF".

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

IPL Energy Inc. offers a Dividend
Reinvestment and Share Purchase
Plan which enables shareholders to
reinvest their cash dividends in
common shares at a 5% discount
to market, and to make additional
cash payments for purchases at the
market price. Details may be
obtained by contacting The R-M
Trust Company at any of the
locations listed above.

FORM 10-K

The Corporation files annually with
the Securities and Exchange
Commission of the United States a
report known as the Annual
Report on Form 10-K. Copies of
the Form 10-K are available to
shareholders, free of charge, upon
written request to the
Corporation.

TRUSTEE AND REGISTRAR FOR DEBENTURES

Montreal Trust Company
Montreal, Toronto, Winnipeg,
Edmonton and Vancouver

AUDITORS

Price Waterhouse

ANNUAL MEETING

The Annual Meeting of
Shareholders will be held at
The Park Plaza Hotel, Toronto,
Ontario, Canada at 1:30 p.m. on
Thursday, May 2, 1996.

REGISTERED OFFICE

IPL Energy Inc.
2900, 421-7 Avenue S.W.
Calgary, Alberta, Canada
T2P 4K9
Telephone: (403) 231-3900
Facsimile: (403) 231-3920

¹ Member of Audit Committee

² Member of Compensation Committee

³ Member of Safety & Environment
Committee

⁴ Member of Governance Committee



MANAGEMENT INFORMATION CIRCULAR

**ANNUAL MEETING
OF SHAREHOLDERS
TO BE HELD ON MAY 4, 1995
CALGARY, ALBERTA**

March 15, 1995



B. F. MacNeill
President & Chief Executive Officer

March 15, 1995

Shareholders of
IPL Energy Inc.

Dear Shareholder:

You are invited to attend the Annual Meeting of shareholders to be held at 11:30 a.m. on May 4, 1995 in the Ballroom of The Metropolitan Centre, 333 Fourth Avenue S.W., Calgary, Alberta, Canada. I hope you will be able to attend. If you are unable to attend in person I urge you to **sign and return the Form of Proxy** in the envelope provided. Your vote is important.

A special welcome is extended to the new holders of the 15.3 million common shares created on the conversion of the Convertible Debentures on March 1, 1995.

The Dividend Reinvestment and Share Purchase Plan introduced a year ago continues to grow in popularity. The Plan provides an efficient and cost effective way for you to increase your investment in the Corporation. It enables you to invest your cash dividends in common shares at a 5% discount to the market price, or acquire additional shares through optional cash payments. In either case, you will not pay brokerage commissions or any other costs associated with administering the Plan. If you wish to obtain additional information, please complete the postage paid tear-out request card printed in the Annual Report to Shareholders and a booklet, more fully describing the features of the Plan, will be mailed to you.

Yours truly,

A handwritten signature in black ink, appearing to read "B. MacNeill", is written over a horizontal line.

BRIAN F. MACNEILL
President &
Chief Executive Officer

IPL ENERGY INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting (the "Meeting") of holders of common shares (the "IPL Shares") of IPL Energy Inc. ("IPL" or the "Corporation") will be held in the Ballroom of The Metropolitan Convention Centre, 333 Fourth Avenue S.W., Calgary, Alberta on May 4, 1995 at 11:30 a.m. (Calgary time) for the purposes of:

1. Receiving the Directors' Report to Shareholders, the Consolidated Financial Statements and the Report of the Auditors, for the fiscal year ended December 31, 1994;
2. Electing directors for the ensuing year;
3. Appointing the Auditors; and
4. Considering such other matters as may properly come before the Meeting or any adjournment thereof.

Only holders of record of IPL Shares at the close of business on March 16, 1995 will be entitled to vote in respect of the matters to be voted on at the Meeting or any adjournment thereof, except that a person who has acquired IPL Shares subsequent to such record date will be entitled to vote such shares upon establishing that such person owns such shares and making a written request to that effect, not later than 10 days preceding the date of the Meeting, to the Office of the Corporate Secretary of IPL at the registered office of the Corporation at Suite 3100, Bow Valley Square II, 205 Fifth Avenue S.W., Calgary, Alberta, T2P 2V7.

Your vote is important regardless of the number of IPL Shares you own. Shareholders who are unable to attend the Meeting in person are asked to **sign, date and return the enclosed form of proxy** relating to the IPL Shares held by them in the postpaid envelope provided for that purpose for use at the Meeting.

To be used at the Meeting, a proxy must be deposited with The R-M Trust Company at one of its principal corporate trust offices in Calgary, Halifax, Montreal, Regina, Toronto, Vancouver or Winnipeg, the addresses of which are listed on the back of the Circular, at any time up to 4:00 p.m. (local time) on the last business day preceding the day of the Meeting (or any adjournment of the Meeting) or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or on the day of any adjournment of the Meeting.

DATED at Calgary, Alberta, this 15th day of March, 1995.

By Order of the Board



MEL F. BELICH
Senior Vice President, General Counsel
& Corporate Secretary

MANAGEMENT INFORMATION CIRCULAR

GENERAL INFORMATION

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies by and on behalf of the Management of IPL Energy Inc. ("IPL" or the "Corporation") and its Board of Directors (the "Board"). The accompanying form of proxy is for use at the Annual Meeting of the Shareholders to be held on Thursday, May 4, 1995 and at any adjournment thereof (the "Meeting").

All dollar amounts set forth in this Circular are in Canadian dollars, unless otherwise indicated.

It is anticipated that this Circular and the accompanying Proxy Form will be mailed to the Shareholders on or about March 23, 1995. Unless otherwise stated, information contained in this Circular is given as at March 15, 1995. The principal executive and registered office of the Corporation ("Head Office") is located at Suite 3100, Bow Valley Square II, 205 Fifth Avenue S.W., Calgary, Alberta, T2P 2V7, and its telephone number is (403) 231-3900. The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Corporation (see "Solicitation of Proxies").

ANNUAL MEETING BUSINESS

SHARE CAPITAL AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of IPL consists of an unlimited number of common shares (the "IPL Shares") and an unlimited number of preference shares. As at March 15, 1995, IPL had issued and outstanding 53,353,277 IPL Shares held by approximately 8,147 holders of record. No preference shares have been issued. Each IPL Share entitles the holder thereof to one vote at the Meeting. Holders of record of IPL Shares at the close of business on March 16, 1995 will be entitled to vote at the Meeting.

There is no single holder, known to the Corporation, who beneficially owns in excess of 5% of the outstanding IPL Shares.

BOARD OF DIRECTORS AND BOARD COMMITTEES

IPL does not have an executive committee of its Board of Directors. There were 7 meetings of the Board of Directors in 1994 and 10 meetings in 1993.

IPL is required by law to have an Audit Committee. The Chairman of the Audit Committee is E.H. Orser and the other members are J.L. Braithwaite, F.W. Fitzpatrick and R.W. Martin. The principal function of the Audit Committee is to review IPL's financial statements and recommend their approval or otherwise to the Board of Directors.

IPL has a Safety and Environment Committee of which W.A. Dimma is Chairman and the other members are L.D. Hyndman, D.E. Powell and D.J. Taylor. The principal functions of the Safety and Environment Committee are to monitor and make recommendations with respect to the safety and environmental policies, practices and procedures of IPL and its subsidiaries.

IPL also has a Compensation Committee (see "Executive Compensation").

ELECTION OF DIRECTORS

The Articles of the Corporation provide that the number of its directors shall be such number, neither more than 15 nor less than 1, as the Board of Directors may from time to time determine. IPL does not have a nominating committee. The Board of Directors, by resolution dated February 17, 1993, has established the size of the Board of Directors at 10 Directors.

Individuals Proposed To Be Nominated

The following are the names of the 10 individuals proposed to be nominated for election as Directors (all of whom have consented to stand for election) at the Meeting, as at the date of this Circular. The age, other positions and offices with IPL, the present principal occupation and the principal occupations during the five preceding years, the year in which each was first elected a Director and the number of IPL Shares, beneficially owned or over which control or direction is exercised, by each of them, as at March 15, 1995 are set out below. All such persons are Canadian citizens. Each Director elected will hold office as a Director of IPL from the date of the Meeting until the close of the next annual meeting of Shareholders or until his successor is duly elected, unless that Director's office is vacated.

<u>Name, Age and Principal Occupation or Employment</u>	<u>Positions Held With the Corporation</u>	<u>Year First Became a Director</u>	<u>IPL Shares⁽²⁾</u>
J. LORNE BRAITHWAITE, 53 President & Chief Executive Officer, Cambridge Shopping Centres Limited (developer and manager of regional retail shopping malls in Canada).	Director	1989 ⁽¹⁾	100
WILLIAM A. DIMMA, 66 Company Director; prior to 1994, Deputy Chairman and Director, Royal LePage Limited (real estate and management services).	Director	1984 ⁽¹⁾	100
F. WILLIAM FITZPATRICK, 62..... Company Director.	Director	1984 ⁽¹⁾	2,000
LOUIS D. HYNDMAN, 59 Senior Partner, Field & Field Perraton, Barristers and Solicitors.	Director	1993	—
BRIAN F. MACNEILL, 55..... President & Chief Executive Officer of the Corporation, since 1992; Chairman & Chief Executive Officer of Interprovincial Pipe Line Inc. since 1994; prior thereto President & Chief Executive Officer of Interprovincial Pipe Line Inc. since 1991; Executive Vice President of Interhome Energy Inc., and Executive Vice President and Chief Operating Officer of Interprovincial Pipe Line Company, a division of Interhome Energy Inc., since 1990.	Director President & Chief Executive Officer	1991 ⁽¹⁾	34,085 ⁽³⁾
H. GORDON MACNEILL, 69 Chairman of the Corporation since 1992; Chairman of Interprovincial Pipe Line Inc. since 1991; also Chairman, Jannock Limited (building products); prior thereto, Chairman and Chief Executive Officer, Jannock Limited ⁽⁴⁾ .	Director and Chairman of the Board of Directors	1984 ⁽¹⁾	3,200

<u>Name, Age and Principal Occupation or Employment</u>	<u>Positions Held With the Corporation</u>	<u>Year First Became a Director</u>	<u>IPL Shares⁽²⁾</u>
ROBERT W. MARTIN, 58 Company Director; Chairman of Silcorp Limited (convenience stores) since 1993; prior to April, 1992, President and Chief Executive Officer, The Consumers' Gas Company Ltd. (natural gas distribution) ⁽⁴⁾ .	Director	1992 ⁽¹⁾	2,000
EARL H. ORSER, 66 Chairman, Spar Aerospace Limited and Honorary Chairman, London Life Insurance Company since 1994; prior thereto, Chairman, London Life Insurance Company ⁽⁴⁾ .	Director	1984 ⁽¹⁾	1,000
DAVID E. POWELL, 61 President & Chief Executive Officer of Home Oil Company Limited since 1991; prior thereto, Executive Vice President and Chief Operating Officer of Home Oil Company Limited.	Director ⁽⁵⁾	1993	12,632 ⁽³⁾⁽⁵⁾
DONALD J. TAYLOR, 60 Company Director; prior to 1990, Executive Vice President, Shell Canada Ltd. (integrated oil company) and President, Shell Canada Products Limited (oil refining and marketing) ⁽⁴⁾ .	Director	1979 ⁽¹⁾	450

(1) Indicates the date on which the individual became a director of Interprovincial Pipe Line Inc. ("Interprovincial"), the predecessor parent of the Corporation.

(2) Each Director or nominee has advised that he has sole voting and investment power as to IPL Shares beneficially owned. No Director or nominee beneficially owns 1% or more of the outstanding IPL Shares. Information as to IPL Shares beneficially owned, or over which control or discretion is exercised, not being within the knowledge of IPL, has been furnished by the respective persons individually.

(3) Includes authorized but unissued IPL Shares subject to currently exercisable options, which options do not provide voting rights until exercised.

(4) Prior thereto in senior management or executive capacities with that company or its affiliates.

(5) Mr. David E. Powell was formerly Executive Vice President of Interhome Energy Inc., the former name of Interprovincial, from 1988 to 1991. Options to acquire IPL Shares were granted to him in his capacity as an officer of Interhome, or of Home Oil Company Limited, a then wholly owned subsidiary of Interhome.

As at the date of this Circular, the 10 current Directors of the Corporation are: J. Lorne Braithwaite; William A. Dimma; F. William Fitzpatrick; Louis D. Hyndman; Brian F. MacNeill; H. Gordon MacNeill; Robert W. Martin; Earl H. Orser; David E. Powell; and Donald J. Taylor.

Each of the persons named in the above table was elected a Director of the Corporation by a vote of Shareholders at the annual and special meeting held on May 5, 1994.

There is no family relationship between any of the Directors or the individuals proposed to be nominated for election as Directors of IPL.

Unless specified in a Proxy Form that the IPL Shares represented by the proxy shall be withheld from voting for the election of one or more Directors, it is the intention of the persons designated in the enclosed Proxy Form to vote for the election of the proposed nominees listed, all of whom are now Directors of IPL.

In the event that any vacancies occur in the slate of management nominees, the discretionary authority conferred by the proxies appointing the nominees designated in the enclosed Proxy Form will be exercised to vote such proxies for the election of any other person or persons nominated by Management. The Corporation has no reason to anticipate any such occurrence.

REMUNERATION OF DIRECTORS

Directors' fees are paid only to Directors who are not officers of the Corporation. Each Director, other than B.F. MacNeill who is an officer of IPL, was paid an annual fee of \$12,000 for service as a Director in 1994, and fees of \$1,000 for each Directors' and committee meeting attended. Committee chairmen each received an additional annual fee of \$2,000. The Chairman of the Board of Directors received an additional annual fee of \$35,000.

The following table sets forth the compensation paid to all Directors and all officers, as a group, in the year ended December 31, 1994:

	Fees	Remuneration	Total
REMUNERATION OF DIRECTORS AS DIRECTORS..... Number of Directors: 10 Body Corporate incurring expense: <i>IPL Energy Inc.</i>	\$199,250	\$ —	\$ 199,250
REMUNERATION OF OFFICERS AS OFFICERS ⁽¹⁾ Number of Officers: 10 ⁽²⁾ Body Corporate incurring expense: <i>IPL Energy Inc.</i> ⁽³⁾	—	2,308,745	2,308,745
Total	\$199,250	\$2,308,745	\$2,507,995

(1) Remuneration of officers as reported in this table consists of salaries and direct cash compensation.

(2) Includes the current 8 executive officers and two officers who continue as Interprovincial Pipe Line Inc. ("Interprovincial") officers.

(3) Other than one officer who is paid by The Consumers' Gas Company Ltd. and one who is paid by Interprovincial.

All dollar amounts in the table above are expressed in Canadian dollars whether paid in Canadian dollars or United States dollars. The noon rate of exchange for the conversion of United States dollars into Canadian dollars on December 30, 1994 as reported by the Bank of Canada was \$1.4028 (Cdn. \$1.00 = U.S. \$0.7129).

As of December 31, 1994 there were outstanding options to purchase 495,920 IPL Shares, of which options to purchase 236,840 IPL Shares were held by Directors and officers of the Corporation as a group.

EXECUTIVE COMPENSATION

The following table sets forth the annual, long-term and other compensation paid or granted by the Corporation and its subsidiaries for the three financial years ended December 31, 1994 to the individuals who were, at December 31, 1994, the Chief Executive Officer and the four other executive officers of the Corporation and its subsidiaries with the highest salary and bonus compensation in the 1994 financial year (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE⁽¹⁾

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ⁽²⁾	Awards		Payouts	
					Options/ SARs Granted (#) ⁽³⁾	Restricted Shares/ Units Awarded (#)	LTIP Payouts (\$)	
B.F. MacNeill President & Chief Executive Officer IPL Energy Inc.	1994	375,000	180,000	—	22,000	—	—	18,750 ⁽⁴⁾
	1993	325,000	165,000 ⁽⁵⁾	—	12,000	—	—	16,250 ⁽⁴⁾
	1992	315,000	45,000	—	13,000	—	—	—
B.J. Phillips ⁽⁶⁾ Senior Vice President, International IPL Energy Inc.	1994	171,664 & 33,332(US\$)	50,000 (US\$)	—	7,500	—	—	1,667(US\$)
	1993	185,000	55,000 ⁽⁵⁾	—	5,000	—	—	8,583 ⁽⁴⁾
	1992	182,228	23,720	—	5,000	—	—	9,250 ⁽⁴⁾
								71,160 ⁽⁷⁾
D.P. Truswell Senior Vice President & Chief Financial Officer IPL Energy Inc.	1994	206,331	66,000	—	8,000	—	—	10,317 ⁽⁴⁾
	1993	179,000	65,000 ⁽⁵⁾	—	5,000	—	—	8,950 ⁽⁴⁾
	1992	174,000	25,000	—	5,000	—	—	—
P.D. Daniel President & Chief Operating Officer Interprovincial Pipe Line Inc.	1994	202,667	63,000	—	8,000	—	—	10,134 ⁽⁴⁾
	1993	168,000	50,000 ⁽⁵⁾	—	5,000	—	—	8,400 ⁽⁴⁾
	1992	163,000	25,000	—	5,000	—	—	—
R.H.B. Sangster ⁽⁸⁾ President & Chief Operating Officer Lakehead Pipe Line Company, Inc.	1994	196,000(US\$)	55,000 (US\$)	—	7,500	—	—	9,240(US\$)
	1993	204,029	61,308 ⁽⁵⁾	—	5,000	—	—	10,290
	1992	163,000	20,000	—	5,000	—	—	—

- (1) All dollar amounts refer to Canadian dollars except that amounts identified specifically as “(US\$)” are expressed in United States dollars. The noon rate of exchange for the conversion of United States dollars into Canadian dollars on December 30, 1994 as reported by the Bank of Canada was \$1.4028 (Cdn. \$1.00 = US \$0.7129).
- (2) The value of each Named Executive Officer's perquisites and other benefits was less than the lesser of (i) \$50,000 and (ii) 10% of total annual salary and bonus.
- (3) Each option entitles the holder to acquire the indicated number of IPL Shares. Particulars of the stock options are provided under the heading “Stock Options”.
- (4) The Corporation makes contributions under the Employee Savings Plan, a savings plan to which Canadian employees may contribute up to 5% of their base salary, with employee contributions matched by the Corporation. Employees may select from among five designated investment alternatives, including IPL Shares which are purchased at market values.
- (5) Approximately one-half of the figure is included in the calculation of pension entitlement for each individual. This portion relates to the bonus awarded in respect of performance of regular activities relating to usual business operations. The balance relates to special activities which do not qualify for pension entitlement.
- (6) Mr. B.J. Phillips was transferred to Houston, Texas effective November 1, 1994. The amount under “All Other Compensation” expressed in United States dollars reflects the Corporation's contributions to the 401K Plan since November 1, 1994. The 401K plan is a savings plan to which United States employees may contribute up to 5% of their base salary, with employee's contributions matched by the corporation. Employees may select from among four designated investment alternatives including IPL Shares which are purchased at market values.
- (7) Mr. B.J. Phillips received a one time relocation incentive in 1992 which is included in this amount and expressed in the Canadian dollar equivalent.
- (8) Mr. R.H.B. Sangster was employed by IPL prior to his transfer to Lakehead Pipe Line Company, Inc. on April 1, 1993. The amounts under “All Other Compensation” reflect the Corporation's contributions to the 401K Plan and the Employee Savings Plan. The salary and bonus in 1993 as well as contributions to the 401K Plan in 1993 are reflected in Canadian dollar equivalents.

COMPOSITION OF THE COMPENSATION COMMITTEE

The individuals named below served as members of the Corporation's Compensation Committee during the financial year ended December 31, 1994. Each member served for the entire financial year. No member is or has been an officer, former officer or employee of the Corporation or any of its subsidiaries or has had any relationship with the Corporation except as a director. No member of the Compensation Committee is indebted to the

Corporation or any of its subsidiaries or has any material interest, or has any associate or affiliate with a material interest, direct or indirect, in any actual or proposed transaction in the 1994 financial year that materially affected or would materially affect the Corporation or any of its subsidiaries.

REPORT ON EXECUTIVE COMPENSATION

This "Report on Executive Compensation" is presented by the Compensation Committee:

H. Gordon MacNeill, Chairman
William A. Dimma
Robert W. Martin

The Corporation's executive compensation program is administered by the Compensation Committee (the "Committee") comprised of three non-employee members of the Board of Directors. As part of its mandate the Committee approves the appointment and remuneration of the Corporation's senior officers, including the executive officers named in the Summary Compensation Table. The Committee is also responsible for reviewing the Corporation's compensation policies and guidelines generally. The Committee met seven times during the financial year ended December 31, 1994. It is the objective of the Committee to ensure that the compensation of senior executives is sufficiently competitive to attract and retain high quality staff and to link incentive compensation to performance and shareholder value. The executive compensation program is comprised of three major components: base salary, a short-term incentive program and a long-term stock option program.

Base Salaries

In determining the remuneration of senior officers of the Corporation, the Committee makes use of formal assessments, market comparisons and advice from independent compensation consultants. The Committee gives consideration to the Corporation's long-term interests and financial objectives as well as qualitative aspects of the individual performance and achievements of its senior officers as demonstrated by leadership ability, major project responsibility and contributions to our industry and community development.

Salaries for Named Executive Officers are reviewed annually based on corporate and personal performance and on individual levels of responsibility. The Committee submits to the approval of the Board of Directors its recommendation as to the salary of the President & Chief Executive Officer for each financial year. The Committee considers and, if thought fit, approves salaries recommended for each financial year by the President & Chief Executive Officer for the other Named Executive Officers and other employees of the Corporation.

Short-Term Incentive Program

The Corporation has a short-term incentive program known as the "Incentive Compensation Plan", which is an additional link between executive performance and performance of the Corporation. The opportunity to earn a bonus is directly linked to earnings and to value added to the Corporation. Under the Incentive Compensation Plan, executives are eligible to receive a cash bonus if financial and operating corporate performance targets established by the Board of Directors are achieved. Each of the Corporation's business units establishes measurable performance targets. Such targets are specific to each unit and are related to a combination of earnings performance criteria and progress made towards long range plan objectives. The aggregate amount available for bonuses is limited to a specified percentage of eligible executives' salaries. Individual bonuses from the bonus pool are reviewed by the Committee on the recommendation of the President & Chief Executive Officer based upon the respective individual's contribution to overall results and the achievement of pre-determined qualitative and quantitative objectives. Bonuses for the President & Chief Executive Officer are recommended by the Committee for approval by the Board of Directors.

For 1994, the results for each of the pipeline operating units were above target, primarily due to increased throughput resulting from enhanced operating procedures and timely completion of the capacity expansion program. The International division successfully completed the contract phase of the Colombia pipeline project.

On a consolidated corporate basis, while earnings were reduced from prior years due to the accounting treatment for The Consumer's Gas Company Ltd. acquisition, as indicated in this circular, share performance was in excess of the TSE 300. In the opinion of the Committee, the Corporation is well positioned to achieve long term growth potential and incentive payments to qualified participants were warranted.

Long-Term Incentive Plan

The long-term incentive plan (the "Employee Incentive Stock Option Plan (1992)") is intended to focus key employees of the Corporation and its subsidiaries on shareholder value.

Awards of stock options are considered annually by the Committee on the recommendation of the President & Chief Executive Officer. Annual awards, rather than infrequent larger awards, are utilized to average the option exercise prices over business cycles. Each option awarded entitles the recipient to acquire a specified number of IPL Shares at an exercise price equal to 100% of the fair market value of IPL Shares on the date of the grant. The number of shares under each stock option granted is determined by the Committee which further considers a target ratio of current IPL Share price to base compensation, individual performance and potential, and the number of existing options held by the proposed recipient.

During 1994, options to acquire 143,000 IPL Shares were awarded to 28 eligible executives including the Named Executive Officers.

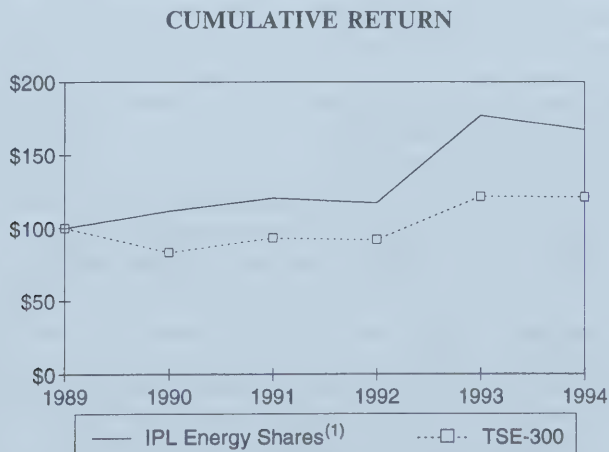
Compensation of the Chief Executive Officer

The compensation paid to the person occupying the office of the Chief Executive Officer during the subject year was determined by the Board on the recommendation of the Committee in accordance with the executive compensation program. The annual salary was within established parameters for the position. The bonus was determined by applying the principles outlined above and recognizes the achievement of a number of strategic objectives during a period of intense activity. The award of stock options accords with the provisions of the related plan.

The Committee was also satisfied that the total compensation paid to the Corporation's Chief Executive Officer during the year ended December 31, 1994 was consistent with the range of compensation paid by comparable organizations to their respective chief executive officers.

PERFORMANCE GRAPH

The following chart compares IPL's five-year cumulative total shareholder return (assuming reinvestment of dividends) for \$100 invested in IPL Shares on December 31, 1989 with the cumulative total return of the TSE 300 Stock Index for the five most recently completed financial years.



(1) Assuming Dividend Reinvestment

EMPLOYMENT CONTRACTS

The Corporation has entered into employment contracts with each of the Named Executive Officers. Each contract provides that, should the Named Executive Officer experience involuntary termination of employment (other than for cause) or constructive dismissal, he will be paid 200% of the sum of: (i) twelve times the gross monthly salary paid to the executive in the last full month of employment; and (ii) the gross amount of the last bonus paid; and will be provided a two year extension of certain employee benefits specified in the contract. For these purposes, unless consented to by the executive, "constructive dismissal" is deemed to occur when the executive ceases to be an officer of the Corporation or an officer of a successor to a material portion of the assets of the Corporation; incurs a material decrease in title, position, responsibility, powers or reporting relationships; or incurs a reduction in annual salary, excluding bonuses.

STOCK OPTIONS

The two tables which follow set forth information concerning options under the Employee Incentive Stock Option Plan (1992) relating to the Named Executive Officers during the financial year ended December 31, 1994.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Shares Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in 1994	Exercise or Base Price (\$/Share)	Market Value of Shares Underlying Options/SARs at Date of Grant (\$/Share)	Expiration Date
B.F. MacNeill	22,000	15.4	29.00	29.00	November 3, 2004
B.J. Phillips	7,500	5.3	29.00	29.00	November 3, 2004
D.P. Truswell	8,000	5.6	29.00	29.00	November 3, 2004
P.D. Daniel	8,000	5.6	29.00	29.00	November 3, 2004
R.H.B. Sangster	7,500	5.3	29.00	29.00	November 3, 2004

The options and associated stock appreciation rights ("SARs") noted above were each granted on November 3, 1994. The holder may exercise either the options, to acquire the indicated number of IPL Shares, or the associated SARs, to receive a payment equal to any increase in the value of the indicated number of IPL Shares above the exercise price. Each option or associated SAR becomes exercisable as to the first 25% after one year from the date of grant, as to the second 25% after two years from the date of grant, as to the third 25% after three years from the date of grant and as to the final 25% after four years from the date of grant.

AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs At Fiscal Year-End ⁽¹⁾		Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End ⁽²⁾	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
B.F. MacNeill	—	—	27,800	47,400	125,604	68,634
B.J. Phillips	—	—	13,200	17,300	62,268	25,002
D.P. Truswell	—	—	4,840	17,800	16,798	25,002
P.D. Daniel	—	—	12,400	17,800	57,756	25,002
R.H.B. Sangster	—	—	14,400	17,300	77,536	25,002

(1) Options issued in financial years 1985 through 1994 and not exercised on or before December 31, 1994, in respect of indicated numbers of IPL Shares.

(2) The difference between the closing price of IPL Shares on The Toronto Stock Exchange on December 31, 1994 (\$28.50) and the exercise or base price of unexercised options to acquire IPL Shares.

PENSION PLAN TABLE

Remuneration ⁽¹⁾	Years of Service					
	10	15	20	25	30	35
\$100,000	\$16,000	\$ 24,000	\$ 32,000	\$ 40,000	\$ 48,000	\$ 56,000
125,000	20,000	30,000	40,000	50,000	60,000	70,000
150,000	24,000	36,000	48,000	60,000	72,000	84,000
200,000	32,000	48,000	64,000	80,000	96,000	112,000
250,000	40,000	60,000	80,000	100,000	120,000	140,000
300,000	48,000	72,000	96,000	120,000	144,000	168,000
350,000	56,000	84,000	112,000	140,000	168,000	196,000
400,000	64,000	96,000	128,000	160,000	192,000	224,000
450,000	72,000	108,000	144,000	180,000	216,000	252,000
500,000	80,000	120,000	160,000	200,000	240,000	280,000
550,000	88,000	132,000	176,000	220,000	264,000	308,000
600,000	96,000	144,000	192,000	240,000	288,000	336,000

(1) "Remuneration" refers to annual salary and that portion of annual bonus awarded in respect of performance of regular duties relating to usual business operations.

The Pension Plan Table specifies the benefits payable under the Corporation's trustee non-contributory registered pension plans, one applicable for Canada and one for the United States (together, the "Pension Plan") which covers all eligible employees including the Named Executive Officers. The Pension Plan provides employees in Canada a yearly pension payable after age 60 in the normal form (50% joint and last survivor) equal to (a) 1.6% of the sum of (i) the average of the participant's highest annual salary during three consecutive years out of the last ten of credited service and (ii) the average of the participant's three highest annual performance bonus payments awarded in respect of performance of regular duties relating to usual business operations, during the last five years of credited service, (b) multiplied by the number of credited years of service. This pension is offset, after age 60, by 50% of the participant's Canada Pension Plan ("CPP") benefit prorated by years in which the participant has both credited service and CPP coverage and is further reduced, unless the participant is 55 with 30 years of credited service, by 5% per year for each year retirement precedes age 60. For employees in the United States, the only material difference is the integration of benefits with U.S. Social Security benefits rather than CPP benefits.

The Board of Directors of the Corporation has authorized the payment by the Corporation to all participants in the Pension Plan, including the Named Executive Officers, of amounts determined on the foregoing basis, to the extent that they exceed amounts payable from the Pension Plan in Canada in accordance with limits prescribed under the Income Tax Act (Canada). Annual salary and annual performance bonuses paid to the Named Executive Officers for the three most recent financial years of the Corporation are reported above in the Summary Compensation Table under "Salary" and "Bonus" respectively.

Assuming the Named Executive Officers remain in the employ of the Corporation until the normal retirement age of 65, then upon retirement at that age Mr. MacNeill will have attained 34.4 years of credited service, Mr. Phillips will have attained 23.4 years of credited service, Mr. Truswell will have attained 39.6 years of credited service, Mr. Daniel will have attained 28.3 years of credited service and Mr. Sangster will have attained 38.5 years of credited service.

The Corporation also has an unfunded plan (the "Supplemental Income Plan" or "SI Plan") under which Mr. B.F. MacNeill is the only participant. Mr. MacNeill will be entitled to receive a pension on his normal retirement date, based on the average of the highest three consecutive year's annual salary out of the last ten years of participation in the SI Plan, calculated as 4% for each of the first 10 years of service, 2% for each of the next 10 years, and 6/10 of 1% for the next 15 years of service. Benefits under the SI Plan will be reduced by any benefit

payable under the Pension Plan. Because creditable service and eligible remuneration is limited under the SI Plan, Mr. MacNeill is able to retire under the Pension Plan if the resulting benefit exceeds that provided under the SI Plan.

INDEBTEDNESS OF DIRECTORS, EXECUTIVES AND SENIOR OFFICERS

Other than routine indebtedness, no current or former director or officer of the Corporation or its subsidiaries, and no associate of any such person, was indebted to the Corporation or any of its subsidiaries at any time since January 1, 1994.

LIABILITY INSURANCE FOR DIRECTORS AND OFFICERS

The Corporation maintains insurance for the benefit of its directors and officers, and the directors and officers of its subsidiaries, as a single group, in respect of the performance by them of the duties of their offices. The amount of primary insurance coverage is U.S. \$25,000,000, with a U.S. \$1,000,000 deductible for each claim. In addition, IPL maintains a first level of excess insurance for such purpose in the amount of U.S. \$15,000,000 and a second level of excess insurance in the amount of Cdn. \$60,000,000. The insurance premiums, all paid by the Corporation, were Cdn. \$162,113 for the primary coverage and Cdn. \$43,292 for the first level excess coverage, in both cases for the 12 month period ended September 30, 1995, and U.S. \$70,927 for the second level coverage for the period November 3, 1994 to September 30, 1995.

APPOINTMENT OF AUDITORS

Price Waterhouse have been auditors of Interprovincial Pipe Line Inc. since 1949 and of the Corporation since December 18, 1992, and their address is Suite 1501, Toronto Dominion Tower, Edmonton Centre, Edmonton, Alberta, T5J 2Z1. **Unless specified in a proxy that the IPL Shares represented by the proxy shall be withheld from voting, or voted against the appointment of auditors, the persons designated in the enclosed Proxy Form intend to vote the proxy for the re-appointment of Price Waterhouse as auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders.** Representatives of Price Waterhouse are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

FINANCIAL STATEMENTS

The Directors will place before the Meeting the Directors' Report to Shareholders and the Consolidated Financial Statements and Auditors' Report for the financial year ended December 31, 1994. The 1994 Annual Report to Shareholders, which contains the Consolidated Financial Statements and the Auditors' Report, is included in the general mailing of this Circular to Shareholders which is expected to be made on or about March 23, 1995. Additional copies of the Annual Report are available from the office of the Corporate Secretary of the Corporation.

TRANSFER AGENTS AND REGISTRARS

The Transfer Agent and Registrar of the IPL Shares is The R-M Trust Company with corporate trust offices at Calgary, Halifax, Montreal, Toronto, Regina, Vancouver and Winnipeg and the Co-Transfer Agent is Chemical Bank, New York City, New York (see list of mailing addresses on p. 14).

APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY

Shareholders who are unable to be present at the Meeting may vote through the use of proxies. If you are a Shareholder, you should complete, execute and return the enclosed Proxy Form. By doing so, you can participate in the Meeting through the person or persons named on the Proxy Form. Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly. **If you do not indicate a preference, the IPL Shares represented by the enclosed Proxy Form, if the same is executed in favour of the Management Nominees named in the Proxy Form and deposited as provided in the Notice of Meeting, will be voted in favour of all matters identified in such Notice of Meeting.**

DISCRETIONARY AUTHORITY OF PROXY

The enclosed Proxy Form confers discretionary authority upon the proxy nominees with respect to amendments or variations to the matters identified in the Notice of Annual Meeting and other matters which may properly come before the Meeting. The Board of Directors and Management do not know of any such matter which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the Management Nominees named in the appropriate Proxy Form.

To be effective for use at the Meeting, a Proxy Form must be returned to The R-M Trust Company at one of its principal corporate trust offices in Calgary, Halifax, Montreal, Toronto, Regina, Vancouver and Winnipeg at or before 4:00 p.m. (local time) on the last business day preceding the day of the Meeting (or any adjournment of the Meeting), or with the Chairman of the Meeting prior to commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

Only holders of IPL Shares of record at the close of business on March 16, 1995 will be entitled to vote in respect of the matters to be voted upon at the Meeting, or any adjournment thereof. In certain circumstances a person who has acquired IPL Shares subsequent to March 16, 1995 may be entitled to vote the IPL Shares upon establishing that such person owns such IPL Shares and making a written request to that effect no later than 10 days before the Meeting to the Corporate Secretary of IPL at the registered office of IPL, Suite 3100, Bow Valley Square II, 205 Fifth Avenue S.W., Calgary, Alberta, T2P 2V7.

With respect to each matter properly before the Meeting, a Shareholder shall be entitled to one vote for each IPL Share registered in the name of such Shareholder.

A Shareholder has the right to appoint a person other than the Management Nominees designated on the accompanying Proxy Form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy Forms which appoint persons other than the Management Nominees whose names are printed on the Proxy Form should be submitted to the Corporation and the person so appointed should be notified. The person acting as proxy need not be a Shareholder.

On any ballot that may be properly called for at the Meeting, all IPL Shares in respect of which the person named in a Proxy Form has been appointed to act must be voted or withheld from voting in accordance with the specification of the Shareholder signing such Proxy Form. If no such specification is made, then the IPL Shares may be voted in accordance with the best judgment of the person named in the Proxy Form.

REVOCATION OF PROXY

Proxies given by Shareholders may be revoked at any time prior to their use, by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Corporation, Suite 3100, Bow Valley Square II, 205 Fifth Avenue S.W., Calgary, Alberta, T2P 2V7, at any time up to and including 4:00 p.m. (local time) on the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law, including, without limitation, personal attendance at the Meeting.

If an instrument of revocation is properly deposited with the Chairman on the date of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to the proxy to be revoked.

SOLICITATION OF PROXIES

The cost of this solicitation of proxies will be borne by the Corporation. In addition to solicitation by mail, the officers, directors and employees of the Corporation may, without additional compensation, solicit proxies personally or by telephone.

SHAREHOLDER PROPOSALS FOR NEXT MEETING

The Canada Business Corporations Act, which governs the Corporation, provides that shareholder proposals must be received by February 10, 1996 to be considered for inclusion in the management information circular and the form of proxy for the 1996 annual meeting of Shareholders, which is expected to be held on or about May 3, 1996.

ADDITIONAL INFORMATION

The Corporation shall provide any person or company, upon request to the Office of the Corporate Secretary of the Corporation at Suite 3100, Bow Valley Square II, 205 Fifth Avenue S.W., Calgary, Alberta, T2P 2V7, at any time, other than when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus which has been filed in respect of a proposed distribution of its securities:

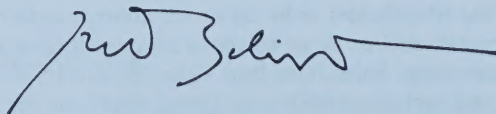
- (i) one copy of the latest annual information form of the Corporation, filed pursuant to applicable provincial securities legislation, regulations or regulatory policies, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference in the annual information form;
- (ii) one copy of the comparative financial statements of the Corporation filed under applicable provincial securities legislation for the Corporation's most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditor thereon, and one copy of any interim financial statements of the Corporation filed under the applicable provincial securities legislation, regulations or regulatory policy subsequent to the filing of the annual financial statements for its most recently completed financial year; and
- (iii) one copy of the information circular of the Corporation filed under applicable provincial securities legislation in respect of the most recent annual meeting of shareholders of the Corporation which involved the election of directors or one copy of any annual filing prepared in lieu of that information circular.

The Corporation may require the payment of a reasonable charge from such a person or company who is not a security holder of the Corporation where documents are furnished pursuant to this item.

APPROVAL BY THE BOARD OF DIRECTORS

The contents and mailing of this Circular to Shareholders have been approved by the Board of Directors. No person is authorized to give any information or to make any representations in respect of the matters addressed herein other than those contained in this Circular and, if given or made, such information must not be relied upon as having been authorized.

DATED the 15th day of March, 1995.

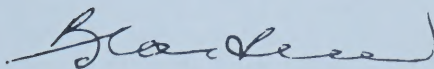


MEL F. BELICH
Senior Vice President, General Counsel
& Corporate Secretary

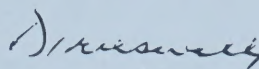
CERTIFICATE

The foregoing contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED the 15th day of March, 1995.



BRIAN F. MACNEILL
President & Chief Executive Officer



DEREK P. TRUSWELL
Senior Vice President & Chief Financial Officer

THE R-M TRUST COMPANY
PRINCIPAL CORPORATE TRUST OFFICES
FOR DEPOSIT OF FORM OF PROXY

<u>Branch</u>	<u>Mailing Address</u>	<u>Courier Address</u>
Calgary, Alberta Telephone: (403) 232-2400	P.O. Box 2517 Calgary, Alberta T2P 4P4	600 The Dome Tower 333 - 7th Avenue, S.W. Calgary, Alberta T2P 2Z1
Halifax, Nova Scotia Telephone: (902) 420-3222	P.O. Box 2082 Halifax, Nova Scotia B3J 5B7	1660 Hollis Street Centennial Building Main Floor Halifax, Nova Scotia B3J 1V7
Montreal, Quebec Telephone: (519) 874-3603	P.O. Box 700 Station "B" Montreal, Quebec H3B 3K3	2001 University Street 16th Floor Montreal, Quebec H3A 2A6
Regina, Saskatchewan Telephone: (306) 751-7552	P.O. Box 4124 Regina, Saskatchewan S4P 3W5	2201 - 11th Avenue Regina, Saskatchewan S4P 0J8
Toronto, Ontario Telephone: (416) 813-4500	393 University Avenue 5th Floor Toronto, Ontario M5G 1E6	393 University Avenue 5th Floor Toronto, Ontario M5G 1E6
Vancouver, B.C. Telephone: (604) 688-4330	1177 West Hastings Street Mall Level Vancouver, B.C. V6E 2K3	1177 West Hastings Street Mall Level Vancouver, B.C. V6E 2K3
Winnipeg, Manitoba Telephone: (204) 987-2495	330 St. Mary Avenue 3rd Floor Winnipeg, Manitoba R3C 3Z5	330 St. Mary Avenue 3rd Floor Winnipeg, Manitoba R3C 3Z5

**FOR DEPOSIT OF FORM OF PROXY
IN THE UNITED STATES**

Please deposit at the offices of the Co-Transfer Agent at:

Chemical Bank
450 West 23rd Street
New York, New York
U.S.A. 10001

Telephone: 212-613-7000 or 800-647-4273

Attention: Proxy Department